

Report to: **Executive**

Date: **18 July 2024**

Title: **Freeport Update**

Portfolio Area: **Economy – Cllr John Birch**

Wards Affected: **All**

Urgent Decision: **N** Approval and clearance obtained: **Y**

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RECOMMENDATION:

That the Executive NOTE the update.

1. Executive Summary

- 1.1 The Freeport has been highlighted and recognised by the peer review team, as a successful economic development (ED) programme to be proud of. Aligned and magnified across the council's other economic development activity, it will support key sectors; the marine economy, low carbon and high tec manufacturing, and provide skills programmes to elevate our workforce into these areas of work.
- 1.2 The tests for success are primarily: Is it resulting in green business investment; is it going to deliver high quality jobs and skills; will it be financially viable and sustainable as a result? In the context of Langage and Sherford, these tests can only be passed "in series" - development of infrastructure first, buildings second and businesses third with associated business rates income. For this reason, successful delivery of the infrastructure work programme is critical, and planned milestones have been achieved. In relation to the first of these, infrastructure investment, the Phase 1a Spine Road at Langage achieved reserved matters planning in May. The pedestrian & cycle bridge is out for tender for a D&B contractor. Both projects are aiming to start on site in the final quarter of the calendar year.
- 1.3 Plymouth City Council's Cabinet has approved the construction on Beaumont Way Units at Langage, which is programmed for completion by autumn 2025.

- 1.4 The work of the inward investment teams is gaining traction, via business and sector engagement across multiple channels. This has resulted in:
 - i. Two businesses in advanced pre-let negotiations for Beaumont Way Units at Langage.
 - ii. A net zero business looking to let units 6 & potentially 3 at Langage
 - iii. A further business in direct conversation with the MOD at Southyard.

- 1.5 A further £150m investment programme for Freeports was announced in the Autumn statement. This is aimed at unlocking business development and private sector investment within Freeports, to bridge viability gaps and expedite build out.

2. Background

- 2.1 Minutes of the Freeport Board are published here:
<https://pasdfreeport.com/governance/>
- 2.2 The Executive considered a quarterly report on the Freeport at its meeting on 18th April 2024. It was resolved:-
 - That the Audit and Governance Committee continue its monitoring role of the Freeport and be encouraged to set up a Working Group at its next scheduled Committee meeting to monitor the implementation of the 17 recommendations that were generated by the Freeport Task & Finish Group and were ultimately supported by Full Council at its meeting held on 14 December 2023 (Minute 38/23 refers)

3 Key updates

3.1 Tax benefits extension

- 3.1.1 Following submission of our Tax Extension Delivery Plan in March, DLUHC has confirmed the PASD Freeport tax site benefits at South Yard, Langage and Sherford are extended from September 2026 to September 2031. This was ratified via a statutory instrument on 21st May 2024.

3.2 Net zero

- 3.2.1 The Freeport's Net Zero lead has worked closely with project managers and the Accountable Body to ensure appropriate Net Zero opportunities are built into the seed capital business cases. This creates an expectation that CO₂ is minimised from the outset. Additionally, each Grant Funding Agreement includes a clause for the project managers to report to the Net Zero lead on a bi-annual basis and to consult the Net Zero lead where required.

3.2.2 Carlton power remain on track to deliver a hydrogen electrolyser at Langage, in 2026.

3.3 Skills

3.3.1 The Freeport has been part of a successful funding bid to the UK Space Agency. The total project value is nearly £450k and is being led by Plastron, an SME partnered by the Freeport, the Space Skills Alliance, and European Astrotech. The project focuses on tackling the skills gap in Systems Engineering technical and leadership skills – generic to marine, defence and space sectors.

3.3.2 This will be a modular programme which combines online learning and virtual reality and has scope for hands-on training. With a target audience of primarily FE and HE, with applicability to those in Early-Stage SMEs and Start-ups, and those wanting to change careers into the space sector. The project runs from May 2024 to March 2025.

3.4 Seed capital programme

3.4.1 Devon County Council continue to move forward with its infrastructure projects at Langage. The first phase of the Spine Road was awarded planning permission during this reporting period, with construction of the road anticipated to commence later this financial year.

3.4.2 Also, at Langage, Plymouth City Council (Accountable Body) has made an Executive Decision to award £0.925m of seed capital funding to Carlton Power to support the delivery of core infrastructure within its part of the tax site.

3.5 Sherford land acquisition

3.5.1 The deal structure has been agreed. The final engineering specification items are being worked through. Babcock are well engaged and it is their specific engineering requirements that need agreeing. All parties are working actively towards the deal being concluded.

3.5.2 Once the deal has been concluded, the commissioning of a master plan and delivery strategy funded from freeport seed money will commence, to run along side the Babcock option period.

3.6 Trade and investment

3.6.1 An event at Plymouth Albion RFC in April attracted a strong level of interest in the Freeport proposition: 111 individuals registered to attend from 84 organisations. 71 people attended on the day. Of the 84 organisations which registered, 47 were organisations new to the Freeport of which 16 were in sectors of particular interest. These are currently being followed up by the Trade and Investment (T&I) team. Following qualification by the Freeport team two businesses are speaking directly with PCC re potential Beaumont Way occupation and a further business is discussing

an opportunity with Carlton Power for one of the LEPL sites. One other business has been put in direct discussion with the MOD on locating in South Yard.

- 3.6.2 The changes to the Freeport Gateway, approved by the Freeport Board, have now been approved by DLUHC to include advance manufacturing, engineering, and net zero tech, alongside our core sectors of marine, defence, and space. This has been flagged to all Trade & Investment officers, Dept for Business and Trade, landowners, etc. This modest but impactful change has already generated interest from businesses within this broader sector base.
- 3.6.3 The fourth House of Commons Business and Trade Report (cross-party) on the performance of investment zones and Freeports (April 2024) noted the relatively small scale of public investment in Freeports and the long-term time horizon of potential gains. The report advocated the need for long-term political commitment to the initiative and this was reflected in the Government's recent decision to extend the tax benefits window from 2026 to 2031.
- 3.6.4 It is important to note that investment decisions are affected by multiple factors, many of which are outside the Freeport partnership's control.
- 3.6.5 These can include macro issues such as the 2022-23 rapid acceleration in inflation or specific issues such as a prospective investor deciding to concentrate on another business priority. Nevertheless, business interest in the Freeport has been very positive.

4. Financial Information

- 4.1 The Government has allocated £25million of seed funding towards each Freeport. This has to be matched by public or private sector investment. The majority of the £25million allocated for Plymouth and South Devon Freeport has been allocated on public sector led projects (infrastructure).
- 4.2 As set out in the Executive report of 18 April 2024, the potential financial investment by South Hams District Council in the Freeport is £3.5million.
- 4.3 This would be financed through external borrowing from the Public Works Loan Board and paid for by the business rates income generated from the Freeport over the life of the project. Therefore, the Freeport is projected to be self-financing, in that the business rates generated would pay for the borrowing costs. The borrowing costs are anticipated to be £286,000 per annum. This is based on borrowing £3.5m at 4.5% over the remaining years of the Freeport.
- 4.4 The Council has spent money on legal and commercial specialist advice, relating to land acquisitions connected to the Freeport. The amounts spent have been as follows:

- £25,000 for the land valuation at Sherford;
- £8,542 on Subsidy control advice for the land acquisition at Sherford; and £1,500 on a Geotechnical Assessment.

- 4.5 The Council has also spent £3,329 on financial modelling for the Freeport, which was the Council's share of a shared resource for the Freeport partnership. These amounts are recoverable from the business rates income that will be generated from the Freeport.
- 4.6 In addition, £46,800 has also been paid for legal support for the proposed compulsory purchase of land at Langage (which is no longer progressing, as the land is to be brought forward by the landowners for development).

5. Conclusion

- 5.1 The key priority for the Freeport has always been to construct premises and infrastructure that businesses can occupy. Whilst the time frames for this are long, it is good to be able to report progress against infrastructure delivery, unit construction and business tenant take up.
- 5.2 Mission critical in the next period and into the medium term, will be the continued work of the inward investment teams to ramp up demand, and increase delivery of units accordingly.

Appendices:

Appendix A - Economic Development Officer Support

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- 6.1. The Head of Place and Economy and the Senior Economic Development Officer are both members of the Plymouth and South Devon Freeport investment pipeline group and the land owners group. These groups meet fortnightly and monthly respectively.
- 6.2. In the pipeline meetings, officers go through the list of businesses which have expressed an interest in moving into the freeport. There has been interest from businesses in a range of industries, but predominantly from businesses operating in the core areas that the Freeport aims to attract:
 - Green tech
 - Low carbon energy
 - Marine
 - Defence
- 6.3. The officers from South Hams are working hard with all parties to deliver the ambitions of South Hams members, and push to secure businesses from the green tech/energy sector and the marine sector into the Sherford and Langage sites, while Plymouth's Southyard site and its proximity to the naval depot, is more attractive to businesses within the defence sector.
- 6.4. Officers on these groups also work closely with the Urban Fringe team and others to help to maximise the appeal of Langage and Sherford to businesses within these sectors, and to identify synergies between the businesses we hope to accommodate. For example, the approval of the planning application for a green hydrogen plant at Langage makes it a more appealing offer to other businesses in the green energy sector which would benefit from having access to a supply of hydrogen produced through sustainable means.
- 6.5. The officers would not recommend support for any application from a business that it was felt could be detrimental to the area and the Council's ambitions for climate change mitigation.
- 6.6. The land owner meetings are aimed at aligning the businesses in the pipeline with the land owners, and trying to ensure that any proposal for a business to take space on their sites is going to be equitable for all parties involved. Discussions are had around the specifics of unit types that a business may require, which parts of the site would be most appropriate for such a development, and the assurances required by the land owners to enable a proposal to move forward.
- 6.7. Again, officers have a significant degree of influence with the private sector over this, and work to ensure that proposals will be appropriate for the Freeport and South Hams.