

South Hams Special Executive



Title:	Agenda
Date:	Thursday, 31st March, 2022
Time:	10.00 am
Venue:	Council Chamber - Follaton House
Full Members:	<p style="text-align: center;">Chairman Cllr Pearce</p> <p style="text-align: center;">Vice Chairman Cllr Bastone</p> <p><i>Members:</i> Cllr Baldry Cllr Holway Cllr Hawkins Cllr Hopwood</p>
Interests – Declaration and Restriction on Participation:	Members are reminded of their responsibility to declare any disclosable pecuniary interest not entered in the Authority's register or local non pecuniary interest which they have in any item of business on the agenda (subject to the exception for sensitive information) and to leave the meeting prior to discussion and voting on an item in which they have a disclosable pecuniary interest.
Committee administrator:	Democratic.Services@swdevon.gov.uk

1. Urgent Business

brought forward at the discretion of the Chairman;

2. Division of Agenda

to consider whether the discussion of any item of business is likely to lead to the disclosure of exempt information;

3. Declarations of Interest

In accordance with the Code of Conduct, Members are invited to declare any Disclosable Pecuniary Interests, Other Registerable Interests and Non-Registerable Interests including the nature and extent of such interests they may have in any items to be considered at this meeting;

4. Plymouth and South Devon Freeport Update

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Report to: **Special Executive**
Date: **31 March 2022**
Title: **Plymouth and South Devon Freeport Update**
Portfolio Areas: **Cllr Hilary Bastone – Economy**
Wards Affected: **All**
Urgent Decision: **N** Approval and clearance obtained: **Y**

Author: **Chris Brook** Role: **Director – Place and Enterprise**

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RECOMMENDATIONS:

That the Executive RECOMMEND to Council to:

- 1. Approve South Hams District Council’s full participation in the Plymouth and South Devon Freeport.**
- 2. Approve the formation of a company limited by guarantee and for South Hams District Council (SHDC) to be a founder member alongside Devon County Council (DCC) and Plymouth City Council (PCC) to operate the Freeport**
- 3. Delegate authority to the Director of Place and Enterprise, in consultation with the Leader of the Council, Executive Member for Economy and S151 Officer to:**
 - a. submit the Full Business Case (FBC) for the Plymouth and South Devon Freeport**
 - b. approve the articles of association and reserved matters for the Freeport company and enter into member agreements between SHDC, PCC and DCC, and other relevant legal agreements**
 - c. Enter into the business rates retention sharing agreement with DCC, as set out in 4.22 to 4.24 of the report**
 - d. Enter into land owner agreements aligned to Freeport objectives**
 - e. Acquire land at Langage to deliver Freeport objectives**
- 4. Approve borrowing up to £5m from the Public Works Loan Board (funded from the retained business rates income generated), at such time as is advised by the S151 Officer, to match fund the Freeport Government seed funding relating to the delivery of the Langage site**

5. Utilise funding from the SHDC Business Rates Retention Earmarked Reserve in 2022/23 (£6,000) and 2023/24 (£57,000) to provide upfront funding to the freeport, which will then be repaid in 2024/25 from the retained business rates income generated from 2024/25 onwards.

1. Executive summary

- 1.1 The Outline Business Case (OBC) [Minute Reference E.83/21] for the Plymouth and South Devon Freeport has been received and approved by the Department for Levelling Up and Local Communities (DLUC). DLUC subsequently set out a number of critical actions that had to be undertaken in February, including agreeing draft Heads of Terms (HoTs) with land owners, which have also been completed successfully.
- 1.2 The Full Business Case (FBC) has now been prepared and the financial model finalised as set out in this report. Submission of the FBC in April is the next step and recommendation 1 and 3a above relate.
- 1.3 As previously indicated to members, SHDC needs to consider borrowing of up to £5m from the Public Works Loan Board (PWLB) to match the Government seed funding for the delivery of the Langage site. The decision is set out in recommendation 4.
- 1.4 The financial model shows that over the long term there is a 45% surplus of retained business rates from which to pay for the public sector borrowing and operating costs of the Freeport. Stress testing of the model shows that even the worst case scenario is able to finance borrowing and operating costs.
- 1.5 In the first two years it is possible that the Freeport business rates retained will need cash flow support from the Business Rates Retention Reserve, to be paid back from year 3 onwards. The decisions relating to retained business rates are set out in recommendation 3c and 5.
- 1.6 The arrangements for the Freeport would see the formation of a company limited by guarantee, with PCC, DCC and SHDC as founder members and certain reserved matters (including use of excess retained business rates). The company would have a mix of public sector and private sector directors. The decision is set out in Recommendations 2 & 3b.
- 1.7 This highly ambitious project has the following anticipated outcomes:
 - 3,584 direct jobs created with an average wage level of at least £13.92 per hour
 - 10% of jobs created to be filled by inactive claimants and registered unemployed
 - 3,000 m² of skills infrastructure
 - 2,400 m² of new innovation space
 - 137.9 hectares of land developed
 - 5 new businesses each year
 - 2-3 new FDI each year
 - 40 Business / Higher education collaborations annually from 2022
 - £4m a year in private investment in research & development
 - 10 new products developed for market

2. Background

- 2.1 Members were formally introduced to the Freeport project via a report to Executive September 2021 [minute reference E30/21] and an informal all member briefing. Approval to submit the OBC was granted at the Executive meeting in September.
- 2.2 Subsequently a further report was considered at Executive [minute reference E.83/21] on 27th January. All members' briefings have also been held.
- 2.3 Whilst much of the background has been considered before, as this is the final report on this significant project it has been set out again for completeness:

THE PLYMOUTH AND SOUTH DEVON FREEPORT PROPOSAL

The Vision

- 2.4 The Freeport will supercharge the local and regional economy by building on our unique national capabilities in Marine, Defence and Space to form globally impactful superclusters and a UK Innovation Superpower.
- 2.5 As a South West Powerhouse, the full potential of the region will be realised by concentrating around the largest UK Naval port and Europe's only horizontal launch spaceport, high value primes and their rich supply chains.
- 2.6 The Freeport will deliver Levelling Up stimulus and drive local skills, jobs and higher wages. As an innovation hotbed, it will fuse already strong innovations with global leading projects and prototyping on synthetic testbeds and ocean proving grounds – spinning off viable products and early stage production runs in a supportive tax and regulatory environment.
- 2.7 Our Freeport will see the evolution of sub-sector specialisms including marine autonomy, maritime decarbonisation, digital oceans, smart port shipping, Offshore Renewable Energy support solutions, defence mission modules and small satellite fabrication.

The Partnership

- 2.8 We are working in close partnership with the Department for Levelling Up, Homes and Communities and a number of other government departments, including HM Revenues and Customs, the Treasury and the Department for International Trade.
- 2.9 Our Freeport programme is supported by a local partnership between the public and private sectors, bringing together:-
 - Three local authority partners – Plymouth City Council, Devon County Council and South Hams District Council
 - Two Universities - the Universities of Plymouth and Exeter
 - Anchor tenants and landowners - Princess Yachts, Langage Energy Park Limited and Babcock International
 - Port Operators, the Ministry of Defence, Associated British Ports and Cattewater Harbour

The Tax Sites

- 2.10 It is proposed to designate three tax sites at South Yard in Devonport, Langage Energy Park and part of Sherford Employment Zone providing a combined footprint of around 130 Hectares (Ha) for development. The master plans for these sites are appended.

South Yard

- 2.11 South Yard encompasses PCC's Oceansgate development and the existing facilities owned by Princess Yachts, Babcock International and the Ministry of Defence. The site is economically underdeveloped with much of it being made up of underutilised buildings, some of which are the subject of preservation orders. PCC are in negotiating with the MOD to acquire an extended lease over underutilised facilities that remain within their control.
- 2.12 The total value of the developments proposed at this site, which include a new marine innovation centre, mobility hub (car park and EV charging) and manufacturing facilities is circa £63m and it is anticipated all of the development will come forward between 2022 and 2025, with the exception of later phases (3.2 and 3.3) of Oceansgate.
- 2.13 The Freeport project team are currently negotiating with the Treasury about the final boundaries to be applied to the site as they have challenged the development status of the some of the footprint we delineated in our Outline Business Case.

Langage

- 2.14 Located on greenfield land in close proximity to the A38 Expressway, the site is allocated for in the Joint Local Plan for employment purposes. It will be developed as a tax site incorporating a customs zone to provide industrial and manufacturing space for high value manufacturing and engineering companies, focusing primarily but not exclusively on the marine, defence and space sectors. The site will also be home to a green hydrogen plant and a mobility hub (EV charging etc) to facilitate deliver of critical sustainable and low carbon transport options.
- 2.15 Development is anticipated to come forward in two phases, taking place between 2022 and 2027.
- Phase 1a will be delivered first encompassing a 25,000m² Customs Zone on land owned by Langage Energy Park Ltd. PCC already own a small parcel of land at Langage, but Phase 1b land will need to be acquired from its current owners before development can commence for that phase.
 - Phase 2 includes approximately 40 acres of solar farm owned by Langage Energy Park Ltd (LEPL). This occupies around 50% of LEPL's developable site. LEPL has development plans which would enable their plot to be developed in line with

Freeport objectives but this would require moving the solar panels.

Sherford

- 2.16 Located on the opposite side of the A38 Expressway to the Langage site, the Sherford Employment Zone forms part of the employment allocation of the Sherford new community. Part of it, will be developed as a tax and customs site with coterminous boundaries, providing integrated warehousing, storage and engineering space. This development is expected to come forward in the first phase of developments, taking place between 2022 and 2025.
- 2.17 The anchor tenant at this site will be Babcock International who propose to build an Integrated Logistics Hub providing a 35,000 m² of state of the art logistics facility. It is a huge investment worth over £62m designed to meet the supply the needs of the Royal Navy and capable of providing significant additional customs capacity.

Anchor Tenants

- 2.18 The proposal benefits from two anchor tenants who are currently based at South Yard.
- Babcock International – which works in partnership with the MOD at Devonport and has an overseas client base, providing through-life support for submarines, surface ships and associated systems and equipment. Babcock’s facilities at Devonport include the UK’s sole licensed site for the refitting and refuel/defuel of nuclear-powered submarines, as well as docks to maintain, refit and modernise surface warships.
 - Babcock currently employs over 7,200 people locally and has strong links with supply chain companies, with opportunities for onshoring overseas clients. The Freeport represents a significant opportunity for them to expand operations in new economic areas through innovation and by developing an Integrated Logistics Hub at one of the tax sites as well as the re-development of redundant sites ‘behind the wire’ in South Yard.
 - Princess Yachts which employs 3,000 staff on the South Yard Site to meticulously sculpt some of the most technically advanced and beautiful yachts in the world. The company has an advanced concept for a new 88ft super yacht which will be the first to integrate all of its sustainability initiatives through the use of efficient design, electrification and sustainable materials. The Freezone will offer an opportunity to create a flagship centre for luxury yacht manufacturing, creating 450 direct jobs.
- 2.19 At Langage, the Freeport will bring forward private investment for a 10MW hydrogen plant which will be online by the end of 2024. This will align with the Government’s Hydrogen Strategy

to underpin clean growth and low carbon transport for shipping and HGVs. The plant will utilise a live wire connection to the onsite solar farm and sleeved Power Purchase Agreements to ensure 100% green energy usage. Langage Energy Park Ltd (LEPL) is one of a handful of companies nationally able to deliver this type of plant, which mirrors a sister project in Manchester which is due to go live in 2023.

3. Land Owner Agreements

- 3.1 The Freeport team have extensively engaged with all our landowners co-designing and then issuing a series of bespoke heads of terms, a gateway policy, site benefits analysis, a new revenue budget and a detailed delivery programme.
- 3.2 The heads of terms define the parties to each of the agreements, the Landowner, relevant Local Authority and the Freeport, and commit them to work together to developing the site in accordance with the Plymouth and South Devon Freeport vision. The boundaries of each the tax sites are defined and the indicative capital sums to be invested in the site by each of the parties.
- 3.3 From the agreements above, SHDC will be the local authority and rating authority for all of the Sherford and Langage agreements, entering into them with the respective landowners and the Freeport Authority. Where SHDC may ultimately become the land owner (Phase 1b), it will have to enter into an agreement with the Freeport Company to deliver against the Freeport vision.

4. The financial model

Capital Investment

- 4.1 Total capital investment in the Freeport is predicted to reach £314m as shown below. This is made up of £25m in Government seed capital grant with a local match funding (from PCC, DCC and SHDC) of £29m as per 6.7. A further £10m will be raised through levelling up grant income and we anticipate total private sector investment will be close to £250m.

Source	Total Value £'000
HM Government Seed Capital Grant	£25,000
Local Authority borrowing/forward funding (PCC, DCC and SHDC) – see table below at 4.7	£29,076
Grant Income (Levelling Up)	£10,000
Private Sector Investment	£249,670
Total Capital Investment in the Freeport	£313,746

Total capital investment for the Freeport

- 4.2 At Langage £33m in public investment will be provided to support land assembly, site preparation and transport links. This will leverage £118m in private investment to build advanced manufacturing units and logistics facilities and a further £28m to deliver a Green Hydrogen plant.

- 4.3 At Sherford £1m in public and £5m in private investment will support site preparation and transport links, private sector investment in off-site costs will be £3m and Babcock marine will invest £62m in developing a new state of the art integrated logistics hub.
- 4.4 In South Yard public investment of £17.3m and a £10m levelling up fund grant will deliver a new Innovation Centre and Mobility hub at Oceansgate. Princess Yachts will invest £22m to deliver a new factory to build the next generation of super yachts, supported with £0.9m of public investment and Babcock will invest £6.5m in new and upgraded infrastructure.
- 4.5 Associated British Ports will invest £5.7m supported with a £1.3m public sector investment in the developing new port infrastructure to ensure adequate additional capacity and to provide containerised freight facilities.

Public Sector funding (PCC, DCC and SHDC)

- 4.6 The local authority partners will forward fund the required local match funding for the £25m seed capital grant (Government Grant), subject to each individual local authority approving this.
- 4.7 The suggested public sector investment is set out below. PCC will be responsible for South Yard. DCC will fund the infrastructure / roads for Langage and Sherford and SHDC would fund the land assembly. Of particular interest from a wider "Better Lives Better for All" perspective is the proposal to build a dedicated pedestrian and cycle bridge across the A38 at Deep Lane Junction.

Local Authority	Forward Funding £000s
Devon County Council	14,289
South Hams District Council	4,625
Plymouth City Council	10,162
Total	29,076

Total Public Sector Borrowing

- 4.8 ***The borrowing for South Hams District Council would total £4.625million as shown in section 4.7.*** This borrowing would be taken out with the PWLB (Public Works Loan Board) on an annuity basis over a 25 year period. The borrowing costs would total £267,000 per annum as shown in 6.11. A fixed interest rate of 2.5% has been assumed in the modelling with MRP (capital repayment) on an annuity basis over 25 years. The borrowing would be fully repaid after 25 years. The interest rate is fixed at the point the borrowing is taken out, for the full 25 years.

Business rates

- 4.9 The repayment of the borrowing would be through the additional business rates income generated by the Freeport. The Freeport would be self-financing. If interest rates were to increase by 0.25%, this would increase the annual cost by £7,158.
- 4.10 The table below shows the projected business rates income from Langage and Sherford and the borrowing costs (debt charges) that would be incurred by SHDC (£267,000 per annum). This is the South Hams ringfenced business rates account. A separate ringfenced account will operate for Plymouth City Council. A net residual income of £199,000 is achieved by 2024/25, increasing to £1m by 2025/26.
- 4.11 Sensitivity testing of the financial model has considered a range of possible reasonable worst case scenarios including slower than predicted occupancy rates.

South Hams ringfenced Business rates account	22/23	23/24	24/25	25/26	26/27	Yrs 6-10 27/28 -	Yrs 11-15 32/33 -	Yrs 16-20 37/38 -	Yrs 21-25 42/43 -	Total
	£'000	£'000	£'000	£'000	£'000	31/32 £'000	36/37 £'000	41/42 £'000	46/47 £'000	
Retained Business Rates - Langage	0	7	600	1,224	1,564	10,817	12,190	13,456	14,862	54,719
Retained Business Rates - Sherford	0	0	0	420	428	2,272	2,508	2,768	3,058	11,454
Total South Hams Retained Business Rates	0	7	600	1,644	1,992	13,089	14,698	16,224	17,919	66,173
Total debt charges - Langage DCC	0	0	(96)	(339)	(629)	(4,434)	(4,434)	(4,434)	(4,434)	(18,800)
Total debt charges - Langage SHDC	(6)	(63)	(267)	(267)	(267)	(1,334)	(1,334)	(1,334)	(1,334)	(6,206)
Total debt charges - Sherford	0	0	0	0	0	0	0	0	0	0
Total South Hams Debt Charges (Langage)	(6)	(63)	(363)	(606)	(895)	(5,768)	(5,768)	(5,768)	(5,768)	(25,006)
Lifecycle costs - Langage	0	0	(38)	(37)	(45)	(569)	(962)	(1,133)	(1,757)	(4,541)
Lifecycle costs - Sherford	0	0	0	(1)	(7)	(169)	(333)	(388)	(394)	(1,291)
Total South Hams Lifecycle Costs	0	0	(38)	(38)	(52)	(738)	(1,295)	(1,521)	(2,151)	(5,832)
Freeport operating costs - Langage	0	0	0	0	0	(1,145)	(1,264)	(1,395)	(1,540)	(5,343)
Freeport operating costs - Sherford	0	0	0	0	0	(572)	(632)	(697)	(770)	(2,672)
Total South Hams Contribution to Freeport Operating Costs	0	0	0	0	0	(1,717)	(1,895)	(2,092)	(2,310)	(8,015)
Residual Business Rates - Langage	(6)	(57)	199	581	624	3,334	4,196	5,160	5,796	19,829
Residual Business Rates - Sherford	0	0	0	419	421	1,531	1,543	1,683	1,894	7,491
Total South Hams Residual Business Rates	(6)	(57)	199	1,001	1,044	4,865	5,739	6,844	7,690	27,320
<i>Risk sensitivity</i> (% that business rates income would need to fall so that residual business rates income would be Nil)			33%	61%	52%	37%	39%	42%	43%	41%

Business rates income and borrowing costs – Langage & Sherford

- 4.12 The assumptions used within the financial model for business rates income are that there will be 16% occupancy of the light industrial business park by 2024/25 and 90% occupancy of the warehouse, with the hydrogen plant complete by 2025/26. Other industrial sites will be between 11% and 90% occupancy by 2024/25. The risk sensitivity shows that business rates income would need to fall by an average of 41% over the 25 years for the residual business rates income (after borrowing costs are repaid) to be Nil on an annual basis.

- 4.13 East Devon’s Enterprise Zone has found that it has generated more business rates income at a quicker delivery than that originally envisaged. Further details are in Appendix 2.
- 4.14 Recommendation 4 of this report is to approve borrowing up to £5m from the Public Works Loan Board (PWLB), at such time as is advised by the S151 Officer as match funding to the Freeport Government seed funding relating to the delivery of the Langage site. This is slightly more than the £4.625m outlined in the Final Business Case, to allow for the maximum borrowing position. This would principally be for the assembly of land at Langage and would be funded from retained business rates generated from the Sherford and Langage zones.
- 4.15 Recommendation 5 of this report also recommends utilising funding from the SHDC Business Rates Retention Earmarked Reserve in 2022/23 (£6,000) and 2023/24 (£57,000) to provide upfront funding to the freeport, which will then be repaid in 2024/25 from the retained business rates income generated from 2024/25 onwards. This is shown in the table in 4.11.

The aggregate business rates position for the whole freeport

- 4.16 Local Authority debt (borrowing) will be serviced primarily through the business rates generated by the Freeport. The uplift in NNDR (Business Rates) generated on the Freeport tax and Customs sites collected by the local authority partners will be held in ring fenced Freeport accounts by the precepting authorities. We estimate that this will generate £72m of business rates income over a period of 25 years (shown in the table below). In Plymouth retained business rates income will be supplemented by other income from South Yard including rental income from Oceansgate.

	2022/23	2023/24	2024/25	2025/26	2026/27	06 - 10	10 - 15	16 - 20	20 - 25	Total
SUMMARY	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
NNDR Retention	0	7	712	1,793	2,186	14,219	15,945	17,601	19,440	71,902
Other Income at South Yard	94	139	163	198	356	2,954	3,609	3,763	3,642	14,919
Total debt charges	(29)	(209)	(671)	(1,005)	(1,295)	(7,765)	(7,765)	(7,765)	(7,765)	(34,269)
Lifecycle costs	0	0	(168)	(170)	(187)	(1,456)	(2,088)	(2,396)	(3,117)	(9,582)
Total Operating Costs	0	0	0	0	0	(2,290)	(2,527)	(2,789)	(3,080)	(10,686)
Residual Income	66	(63)	36	815	1,060	5,663	7,174	8,414	9,119	32,284
Risk sensitivity			5%	45%	48%	40%	45%	48%	47%	45%

Business rates income and borrowing costs – Whole Freeport area

- 4.17 The first call on the retained business rates will be the repayment of public sector forward funding (see 4.24 – i.e. to repay the borrowing costs) to support Freeport investment. The funds generated will also be used to support operating costs after the first five years. The predicted surplus of £32m after these costs are met will be reinvested to meet wider Freeport objectives with the early priorities being innovation and skills funding and offsetting the impact of any displacement of economic activity from the surrounding area.
- 4.18 Sensitivity testing of our financial modelling has considered a range of possible reasonable worst case scenarios, including increased capital costs or construction delays, rising inflation and/or interest rates, a shortfall in private investment, and slower than predicted occupancy rates.

Operating model

- 4.19 The Freeport operating Company will create 7 new posts (4.5 FTE) including a Freeport CEO. An additional indicative sum is included in the operating model to secure a customs site operator when our main customs sites at Langage and Sherford are operational.

Freeport Operating Costs	Start Date
Freeport CEO	Jun-22
Freeport Manager	Jun-22
Skills Coordinator	Jun-22
Project co-ordinator (P/T)	Jun-22
<i>Customs & security operator (via SLA)</i>	Apr-24
Marketing, Trade and Investment Manager	Jun-22
Innovation Manager	Jun-22
Finance Manager	Jun-22
Annual Total Expenditure	£398,500

Freeport company resources

- 4.20 In the first year of operation 2021/22 additional non repeating expenditure will be required to support specific functions required to achieve Freeport mobilisation. These include staffing and consultancy costs incurred before the Freeport team is recruited, marketing expenditure to ensure our investor pipeline is robust and additional planning capacity to ensure expeditious processing of the large volume of planning applications we expect the Freeport to generate in its build out phase.

Non repeating (one-off) costs	
Planning support	60,000
Programme Management	52,877
Other staff costs (Q1 22/23)	100,000
Consultancy costs (Q1 22/23)	125,000
Additional Marketing budget to support pipeline development (Q1 2021/22 until -Q2 2022/23)	90,600
Total	428,477

Other one off costs

4.21 Our operating model will be fully funded through landowner contributions supplemented with our government Freeport revenue grant over the first 5 years. We anticipate a small in year revenue overspend in 2021/22 and this has been covered with the application of a PCC grant which will be repaid in subsequent years.

Funding	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Government funding for Outline Business Case (OBC)	300,000					
Government funding for Full Business Case (FBC)	187,500					
Government funding		467,460	45,040			
PCC internal grant	97,244		(92,470)	(1,560)	(1,591)	(1,623)
Plymouth City Council	50,000					
Income subtotal	634,744	467,460	(47,430)	(1,560)	(1,591)	(1,623)
Income from landowners		175,000	357,000	364,000	371,350	378,700
Oceansgate (PCC)		25,000	51,000	52,000	53,050	54,100
Income subtotal	-	200,000	408,000	416,000	424,400	432,800
Total Operating Income	634,744	667,460	360,570	414,440	422,809	431,177
Freeport Operating costs As per 4.19 of the report		(269,583)	(329,970)	(414,440)	(422,809)	(431,177)
Non-repeating (one-off) costs As per 4.20 of the report		(397,877)	(30,600)			
Total Operating Expenditure		(667,460)	(360,570)	(414,440)	(422,809)	(431,177)
Operating Profit / (Loss)	0	0	0	0	0	0

Freeport company funding and expenditure

Business Rates Retention Sharing Agreement with DCC

- 4.22 South Hams District Council is the administering and billing authority for business rates for the Langage and Sherford areas of the Freeport. The Council will maintain a separate ring-fenced account for the business rates growth from both Langage and Sherford, which will be reconciled to the NNDR1 / NNDR3 Government returns to DLUHC. The NNDR form denotes this as a "designated area". The retained business rates growth will be combined for the purposes of this joint agreement.
- 4.23 The Business Rates Retention Sharing Agreement with DCC will set out the priority order in which business rates income will be utilised to fund.
- 4.24 Retained business rates from the Freezone areas in Langage and Sherford will be applied in the following priority order:
1. To repay the annual costs of borrowing including:
 - a. Interest costs
 - b. Higher of the repayment of principal and Minimum Revenue Provision (MRP – this is the capital repayment of debt)
 2. Covering any previous deficits financed by South Hams / Devon CC (if the unlikely event where business rates income was insufficient to meet obligations – borrowing or operating costs)
 3. Lifecycle costs – maintaining the infrastructure
 4. Meeting the South Hams / Devon CC proportion of the operating costs of the Freeport as set out in the Final Business Case (75% of Freeport operating costs to be met by the South Hams account and 25% from the Plymouth account). The Freeport operating costs (budget) will be subject to annual review by the local authority partners and an initial limit of £350,000 contribution from the South Hams account in year 6.
 5. To meet the freeport priorities of SHDC and DCC.
 6. The remaining surplus is to be invested according to the sharing agreement and with due regard to the priorities mutually agreed between the partners to meet wider Freeport objectives, with the early priorities being innovation and skills funding and offsetting the impact of any displacement of economic activity from the surrounding area.
 7. South Hams DC and Devon CC will jointly agree the use of business rates to finance additional investment.

Accountable Body

- 4.25 Plymouth City Council will act as the sole accountable body for Freeport seed capital grant. A delivery plan incorporated within a member's agreement will be agreed to govern how this money will be managed and accounted for.
- 4.26 Plymouth City Council and South Hams District Council will establish ring fenced funds to receive the retained business rates and allocate them in accordance with a Business Rates retention policy agreed by the Local Authority Partners through the Member Steering Group (once the Freeport Operating Company is established). This will include the central government reimbursement of funds allocated to support the 5 years business rates relief we expect to give businesses that comply with our gateway policy.
- 4.27 The Member Steering Group will receive an annual audit report prepared by the S.151 officers of the Local Authority supported by the Freeport finance manager.

5. Gateway Policy and Business Rates Relief Policy

- 5.1 Government requires Freeports to clearly demonstrate that they avoid displacing activity from elsewhere and provide genuine additionality – bringing in new jobs and investment. Central to this is the Gateway Policy as per Appendix 5.
- 5.2 The proposals at Langage unlock a key employment sites that has been stalled for many years. The growth would either not have happened at all in the absence of the Freeport, or would have happened much more slowly. Whilst South Yard has existing development, the site is significantly underutilised in part due to the condition of the existing buildings.
- 5.3 The Freeport is focussed on attracting new high value investment within target sectors to the Freeport. These sectors are advanced manufacturing and engineering with a particular focus on marine, defence and space including low carbon applications.
- 5.4 To ensure this is realised we will establish robust governance and management structures which align prospective tax and custom site tenants with the delivery of the identified Freeport benefits and objectives. The adoption of a Gateway Policy mitigates against risks to delivery of these benefits by providing clarity on the eligibility of prospective businesses and/or organisations into the Freeport sites.
- 5.5 The Gateway Policy will form the basis for agreements between the Freeport Company, private sector landowners and tenants who will ultimately be the beneficiaries of the tax site levers including Business Rates Retention (BRR). Compliance with the gateway policy will be the trigger for the application of discretionary Business Rates Relief.

- 5.6 UK companies and/or organisations looking to locate within the Freeport, will need to meet certain gateway criteria, which are likely to include:-
- Businesses will need to clearly demonstrate how the proposed Freeport operations fall into one or more of the sectors above;
 - Businesses will need to clearly demonstrate how the proposed Freeport operations represent incremental investment and employment additional to existing operations;
 - Local businesses will not be precluded from applying to locate within the Freeport but will need evidence new economic activity; and,
 - If a business is relocating for purposes of growth then evidence will be required to prove that no appropriate expansion space was available at the current site.
- 5.7 Landowners can discuss other uses with the local authority, should they be able to demonstrate they have made best endeavours to comply with the Gateway Policy requirements, without a pipeline of suitable prospects coming forward.
- 5.8 Businesses that do not meet the Gateway Policy will not benefit from Business Rates Relief. The decision as to who meets the policy and not will be a reserved matter for the 3 Councils.

6. Governance

- 6.1 The governance partners will include the Local Authorities, the University of Plymouth (on behalf of the Universities of Plymouth and Exeter), Babcock International, Princess Yachts and Langage Energy Park Ltd.
- 6.2 In previous reports to members, the intention to establish the Freeport as a legal entity was set out, with the preferred option being a Company Limited by Guarantee. The Freeport team have received counsel about the suitability of this model from legal advisors Womble Bond Dickson and pending agreement across all three local authority partners, anticipate issuing instructions to create a suitable company model.
- 6.3 The Freeport Company will be based on a flow of powers from Government. The Local authorities will commission a Freeport operation company to manage the Freeport within a defined scheme of delegation and Local Authority reserved matters.
- 6.4 The legal model will be a company limited by guarantee with the Local Authorities as founding members. The Company 'members agreement' will give the Local Authorities the control needed whilst giving the Freeport company the autonomy to run the Freeport within defined limits.
- 6.5 The decisions that are reserved for the 3 Local Authorities will include; agreeing the company annual delivery plan (and funding for it) and the use of any excess retained business rates after debt and operating costs. Excess retained business rates

can only be spent in accordance with Freeport objectives.
Further details on Governance are contained in Appendix 2.

7. Freeport Outcomes

- 7.1 The Freeport proposal is highly ambitious and transformative, the top ten outputs anticipated are: -
- 3,584 direct jobs created with an average wage level of at least £13.92 per hour
 - 10% of jobs created to be filled by inactive claimants and registered unemployed
 - 3,000 m² of skills infrastructure
 - 2,400 m² of new innovation space
 - 137.9 hectares of land developed
 - 5 new businesses each year
 - 2-3 new FDI each year
 - 40 Business/Higher education collaborations annually from 2022
 - £4m a year in private investment in research & development
 - 10 new products developed for market
- 7.2 We expect the Freeport to deliver wider benefits such as an uplift in land value, labour supply, a skills uplift and the jobs/GVA arising from the construction of the Freeport. Our economic modelling estimates the total value of these and other benefits at £409.5m over a 15 year timeframe.

8. Risks

8.1 The finance section above deals with the retained business rates and the risks associated. The top seven other risks from the Risk Register (a live document) as scored after mitigation have been extracted into the report below.

Risk Description	Score	Mitigation	Score after
State subsidy framework could inhibit use of seed capital	16	Agreement reached with DLUHC that seed capital can be reallocated subject to a project change request. Legal advice suggests we need to carry out point by point review (7 principles) as this will provide best defence to challenge. Will need to demonstrate public interest outweighs market distortion.	16
Land acquisition (CPO) takes 3 years leading to reduced scale of Freeport deliverability	20	Early engagement to determine likely timescales. Realistic budget allocated to secure sites reflecting wider economic value	15
South Yard - Co-ordination of MoD services separation and diversion within the Base impacts on programme and cost	20	Secure funding for enhanced contingency allowances, reflective of work to date (e.g. HV).	12
Highways England stop further planning at any site until junctions are improved	20	25,000m ² of employment space is consented and available for uptake at Langage and about 14Ha of space will become available at Sherford, for which S106 agreements already include for junction improvements. Work collaboratively with Highways England as part of infrastructure board to develop solutions and phasing.	12
Land acquisition is more expensive as a result of market trends due to shift in demand for warehousing facilities caused by increase in home shopping.	20	OBC takes account of current land acquisition costs. Some potential for increase still exists	12
Unexpected/increasing costs require additional funds to be secured or the scale back of plans (related to landowners and transport infrastructure costs)	16	Sensitivity testing on financial construction variables complete, but full transport impacts not yet known. Opportunity to phase infrastructure delivery to suit market uptake and balance public sector borrowing	12
Delays and protracted contractor/consultant procurement leads to delays in the development timetable, impacting build out and occupancy levels	16	Use framework procurement routes to speed up procurement time, writing good briefs, use frameworks for mini competitions. Potential to use direct awards and exemptions for specialist skills if time pressures cannot accept traditional procurement routes. Financial resources needed in December 2021 to commence work in early 2022.	12

9. Next steps

Milestones/Latest Dates	Date
Plymouth City Council Decision	23/03/2022
South Hams District Council Decision	31/03/2022
Devon County Council Decision	13/04/2022
At least one site specific agreement is signed by all parties	20/04/2022
Freeport Governing Body endorses the Full Business Case	21/04/2022
Strategic Advisory Group endorses the Full Business Case	21/04/2022
Plymouth City Council signs off on the Full Business Case as lead accountable body under delegated arrangements set out below	21/04/2022
Full Business Case is submitted to Department for Levelling Up, Homes and Communities	22/04/2022
Primary customs site is operational at Burrington Way and HMRC approvals are achieved.	06/06/2022
Tax site(s) covered by site specific agreements are legally established by statutory instrument	07/06/2022
Department for Levelling Up, Homes and Communities sign off Full Business Case and issue Memorandum to Freeport Governing Body	28/06/2022
Freeport governing body signs off on memorandum.	01/07/2022
Plymouth and South Devon Freeport is formally designated and section 31 grant letter is issued to Plymouth City Council	01/07/2022
Freeport is operational and works commence on site.	01/07/2022
All Sites will be online within 5 years of summer 2022.	31/03/2027

10. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The proposed governance arrangements are set out in the Governance section and Appendix 2.
Financial implications to include reference to value for money	Y	<p>Recommendation 4 of this report is to approve borrowing up to £5m from the Public Works Loan Board (PWLB), at such time as is advised by the S151 Officer, as match funding to the Freeport Government seed funding relating to the delivery of the Langage site.</p> <p>This is slightly more than the £4.625m outlined in the Final Business Case, to allow for the maximum borrowing position. This would principally be for the assembly of land at Langage and would be funded from retained business rates generated from the Sherford and Langage zones.</p>

		Recommendation 5 of this report also recommends utilising funding from the SHDC Business Rates Retention Earmarked Reserve in 2022/23 (£6,000) and 2023/24 (£57,000) to provide upfront funding to the freeport, which will then be repaid in 2024/25 from the retained business rates income generated from 2024/25 onwards. This is shown in the table in 4.11.
Risk	N	Refer to section 8
Supporting Corporate Strategy		Economy
Equality and Diversity		An Equality Impact assessment has been carried out by Plymouth City Council as the accountable body.
Safeguarding		No direct implications
Community Safety, Crime and Disorder		No direct implications
Health, Safety and Wellbeing		
Other implications		

Supporting Information

Appendix 1 – Site Plans

Appendix 2 – Governance further detail

Appendix 3 – Customs site background

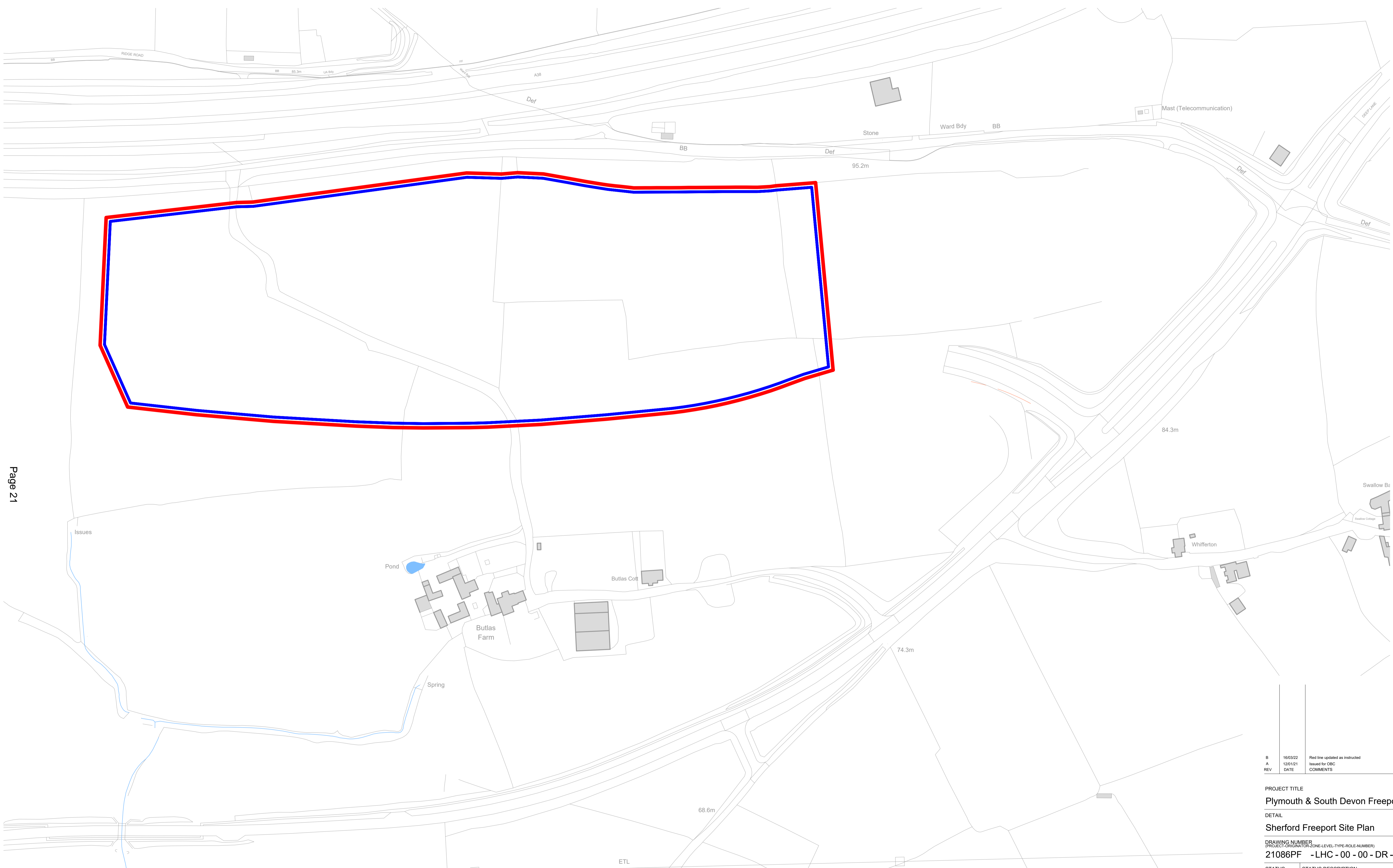
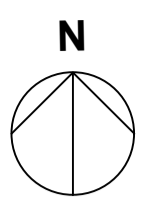
Appendix 4 - East Devon District Council Enterprise Zone

Appendix 5 – Gateway Policy

Background Documents:

None



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Page 21

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Key:

-  Customs Site Boundary
-  Tax Site Boundary

*Note: - Where the Customs site and Tax site/Freeport boundaries coincide, the Customs Site boundary has been drawn inside the Freeport boundary site for clarity on the Drawings. The Actual Customs Site will extend to the Tax Site/Freeport boundary line

REV	DATE	COMMENTS	CC/ GD MO/ GD AUTHOR / CHECKED
B	16/03/22	Red line updated as instructed	
A	12/01/21	Issued for OBC	

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DETAIL		
Sherford Freeport Site Plan		
DRAWING NUMBER (PROJECT ORIGINATOR-ZONE-LEVEL-TYPE-ROLE-NUMBER)		
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		21086PF



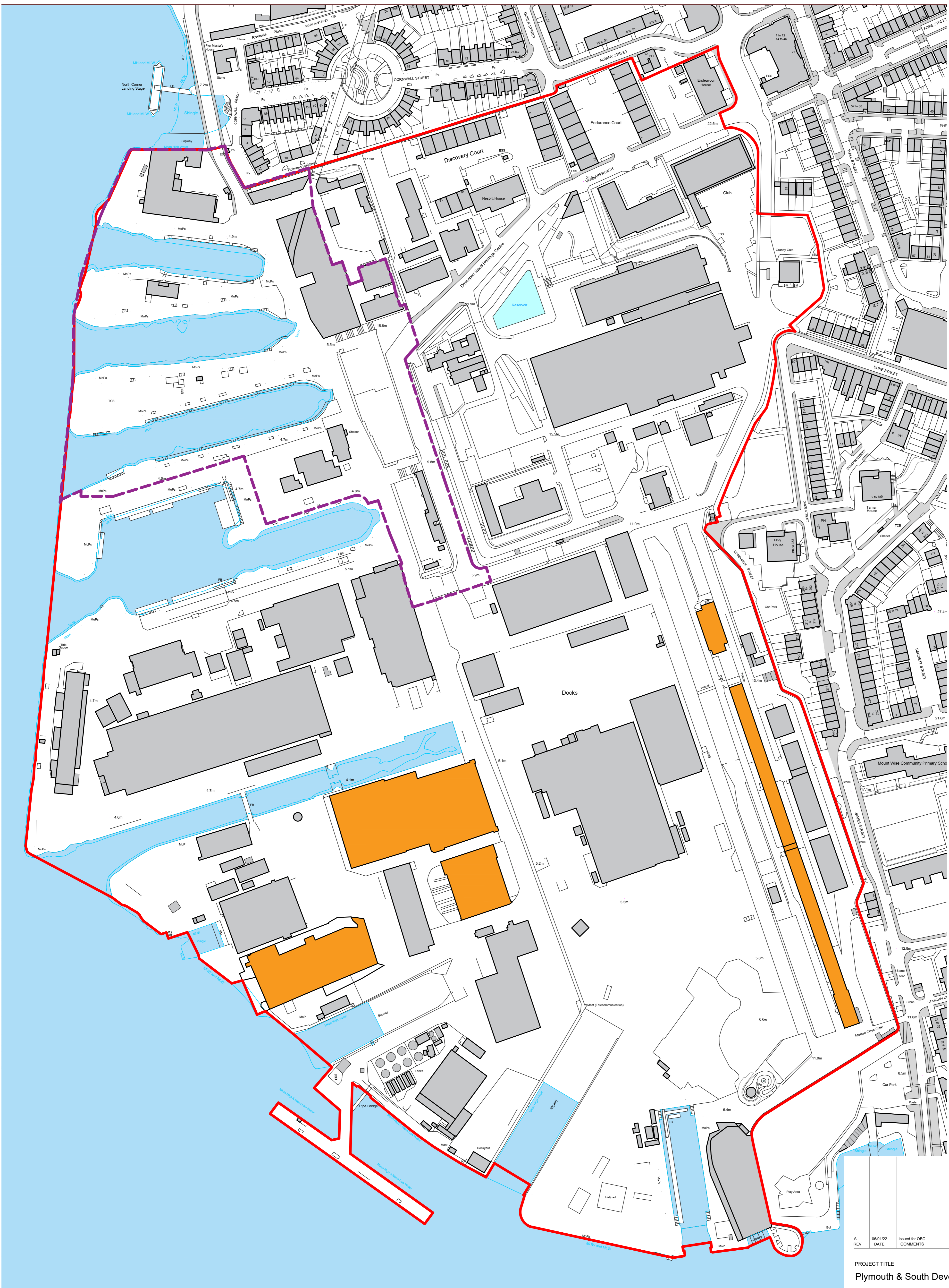
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lhc.net

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Key:

- Tax Site Boundary
- Service Re-Provision
- Vacant Buildings

***Note:**
 1. Service Re-Provision is a behind-the-wire proposal that facilitates pipeline projects by the private sector

A	06/11/22	Issued for OBC	MOJGD
REV	DATE	COMMENTS	AUTHOR / CHECKED

PROJECT TITLE
Plymouth & South Devon Freeport

DETAIL
South Yard Freeport Existing Site Plan

DRAWING NUMBER
 (PROJECT-ORIGINATOR-ZONE-LEVEL-TYPE-ROLE-NUMBER)
21086PF -LHC - 00 - 00 - DR - AR - 0103

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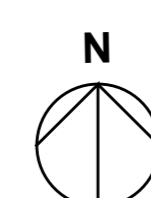
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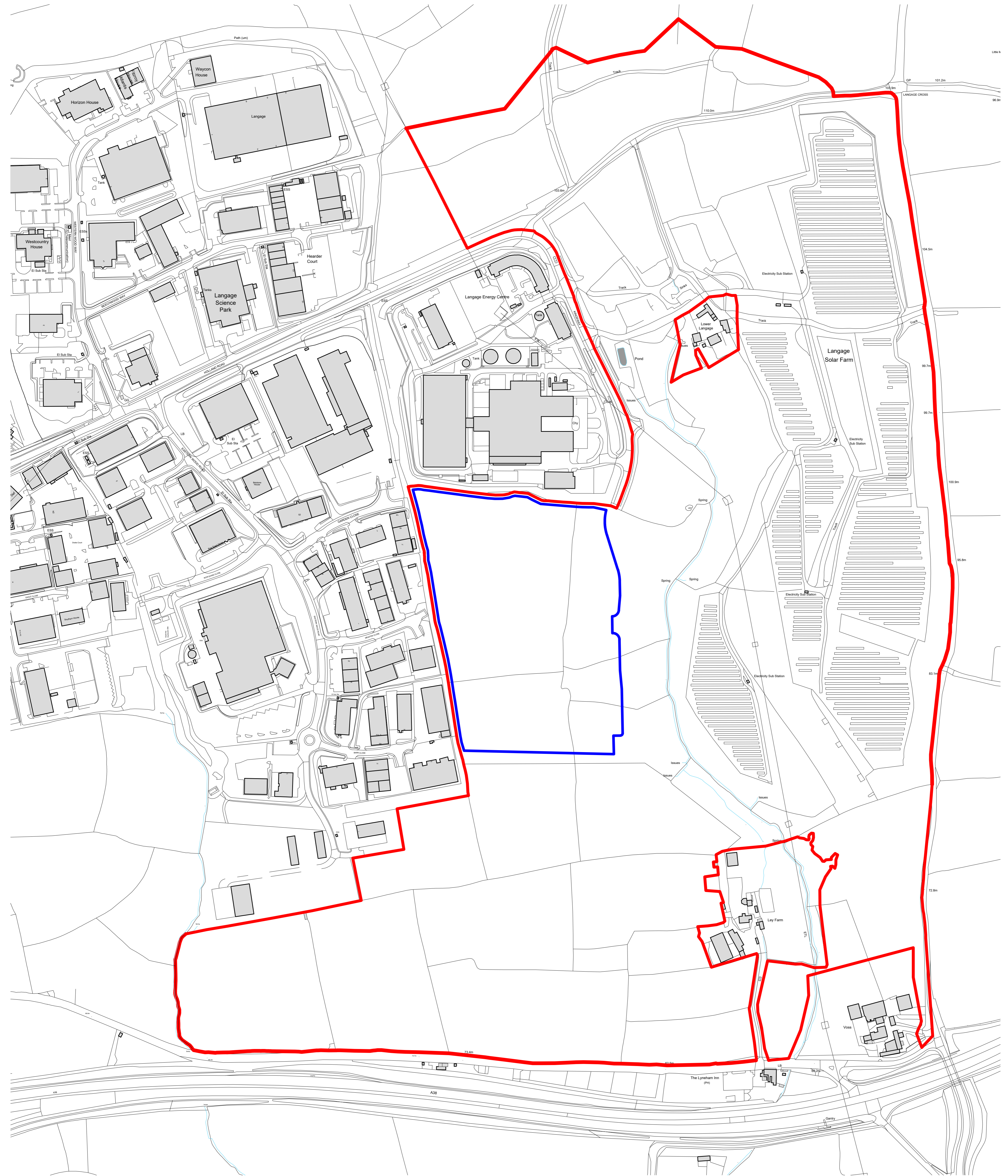
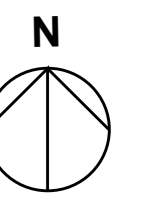
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


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Key:

-  Customs Site Boundary shows 'Preferred' & 'Do Max' options (Scenario A & C)
-  Tax Site Boundary

*Note - Where the Customs site and Tax site/Freeport boundaries coincide, the Customs Site boundary has been drawn inside the Freeport boundary site for clarity on the Drawings. The Actual Customs Site will extend to the Tax Site/Freeport boundary line

B	16/03/22	Red line updated as instructed	CC/ GD
A	12/01/21	Issued for OBC	MD/SD
REV	DATE	COMMENTS	AUTHOR / CHECKED

PROJECT TITLE		
Plymouth & South Devon Freeport		
DETAIL		
Langage Freeport Site Plan		
DRAWING NUMBER (PROJECT ORIGINATOR-ZONE-LEVEL-TYPE-ROLE-NUMBER)		
21086PF - LHC - 00 - 00 - DR - AR - 0101		
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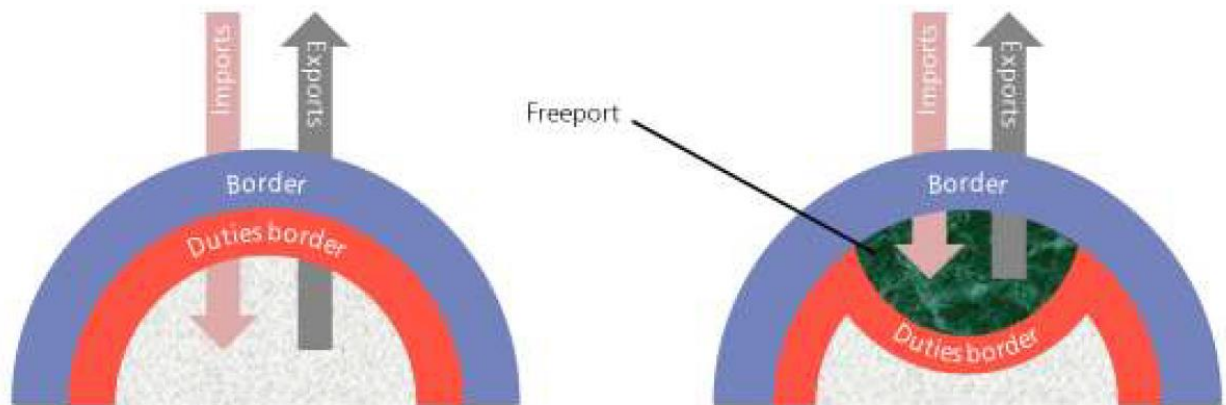
Appendix 2 – Governance Further Detail

1.1 The Freeport Operating Company will have the following features and principles.

- **A strategic steering group** made up of the leaders of each of the three local authority partners will provide strategic oversight and ensure alignment with the emerging County deal and respective corporate strategies.
- **A board of directors** with a chair from the private sector to provide clear evidence of private sector leadership, we will set out the process through which the chair will be appointed in the scheme of delegation.
- **Founding members**, the three local authorities, will nominate representatives to serve as company directors.
- **The landowners** will each nominate a director to the board.
- **The port operators, the universities and the Local Enterprise Partnership** will each nominate a single director to the board to represent them.
- **A Memorandum and Articles** of Association setting out the remit and roles of the directors, a scheme of delegation and matters reserved to the founding members.
- **A Members' Agreement** binding the three local authorities to perform their functions and roles and their engagement with the Freeport company based on the key principle of a partnership of equals.
- **An annual delivery plan** – proposed by the Freeport Company, sanctioned by the Founder members with respect to their reserved matters and approved by the Board of Directors who will hold the Freeport Company to account for its delivery.
- **Policies and bilateral agreements between the Local Authorities governing the use of Business Rates** - to supporting borrowing and long term operational costs, including the proportion of business rates from each collecting authority, and the mechanisms for deciding the application of surplus retained business rates and redressing displacement.
- **A standard Service Level Agreement** to secure and fund commissioned activities from the Freeport Company to a range of partners including – Skills, Inward Investment, Innovation Services - where a budget is available or has been secured.
- **Partnering Agreement / Local Authority Agreements** – where it would not be appropriate to utilise the Members Agreement.

Appendix 3 - Customs site background

1.1 A Freeport customs site (also known as a 'free zone') is a secure, enclosed customs zone where some normal tax and customs rules do not apply. It is the presence of customs sites that define a Freeport as something more than an economic zone.



- 1.1 Businesses operating from within a customs site derive 3 three main opportunities: -
- Tariff suspension - the ability to defer payment of VAT and excise duty until such time as imported goods cross into UK customs territory.
 - Tariff exemption – goods brought into the Freeport for export that never enter UK customs territory generate no liability to the payment of VAT or excise duty at all.
 - Tariff inversion – where goods are brought into a customs zone and processed into a final product and the excise duty on the final product is less than it would be on some or all of its components.
- 1.2 The main customs sites will be delivered at two locations within the tax site boundaries at Langage and Sherford, at the locations indicated on the appended master plans. Since these sites cannot be delivered before necessary core site infrastructure, a third customs site has been identified for immediate use.
- 1.3 This will be located at Burrington Way on the old Bestaway Cash and Carry site in Plymouth, ensuring that an HMRC requirement that a fully operational customs site is available is met, before the Freeport can be formally designated. Taken together these facilities will provide over 50,000 m² of warehouse and advanced manufacturing space.
- 1.4 To operate a Freeport customs site it must meet the conditions of an HMRC 'designation order'. The designation order sets out who the Freeport customs site operator is and the conditions they must comply with. In the short term Babcock, who already meet the criteria, have agreed to seek authorisation as our customs site operator at the Burrington way site. The Freeport team are currently considering longer term options, including the procurement of a single customs operator to cover all the customs operations.

- 1.5 The Freeport has committed to upholding the UK’s high standards for security and combatting illicit activity and we have therefore agreed to honour the obligations set out in the OECD Code of Conduct for Clean Free Trade Zones and the UK’s Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017.
- 1.6 It will also have to maintain a security and illicit activity risk assessment with local partners and security stakeholders and put in place appropriate processes and governance arrangements for actively managing the security risks identified. These processes are subject to an annual security audit.

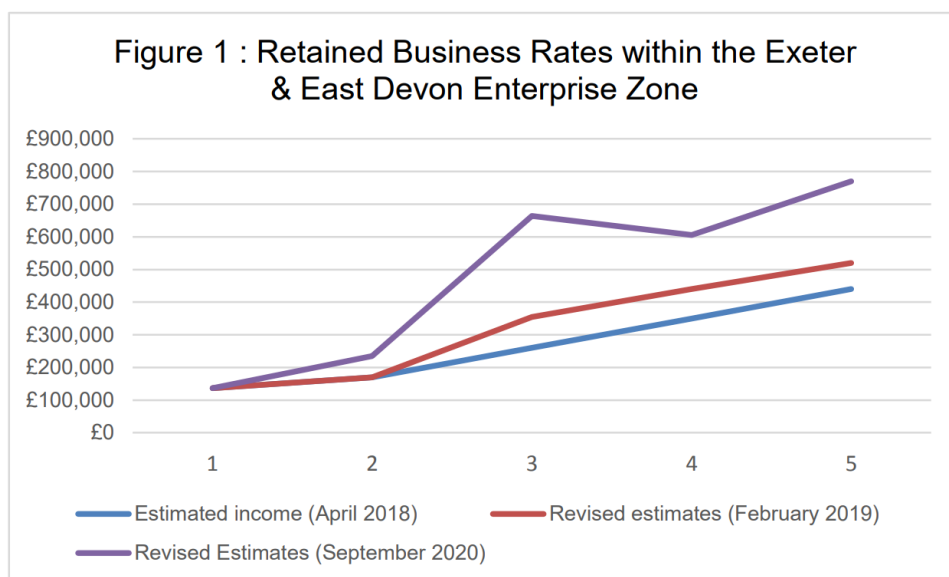
Appendix 4 – East Devon District Council Enterprise Zone Background

1.1 East Devon Enterprise Zone

1.2 As part of the risk assessment work for the project, the performance of the East Devon Enterprise Zone was considered, given its proximity and similarities (loosely equivalent to the tax site of a Freeport). The following has been extracted from the last public report by East Devon District Council, showing a better than expected business uptake at the site and a decision to extend borrowing as a result (report words in italics).

1.3 Section 2.4 and 2.6 of the East Devon Enterprise Zone report is set out below :-

The EZ financial position has been reviewed in light of the Covid-19 pandemic and subsequent economic recession. It is estimated that levels of income will prove to be resilient relative to original assumptions which were deliberately conservative. To date business rate income has exceeded original estimates as set out below;



The reasons for this improved financial position are:

Delivery of development on site has been quicker than estimated – the timescale for delivery of buildings on site included slippage, whereas most of the buildings have been completed on time.

Rateable values are higher than estimated – initial estimates were based upon limited information due to small number of buildings within the EZ sites

- 1.4 Below is a link to a recent report (Cabinet, 30th September 2020) to East Devon District Council on their Enterprise Zone.

<https://democracy.eastdevon.gov.uk/documents/s9664/Enterprise%20Zone%20Update.pdf>

Plymouth and South Devon Freeport

Gateway Policy

Introduction

The PASD Freeport recognises the importance of maximising additionality to the UK economy by attracting new high value investment within target sectors to the Freeport. These sectors are advanced manufacturing and engineering with a particular focus on marine, defence and space including low carbon applications.

This will be realised through establishing robust governance and management structures which align prospective tax and custom site tenants with the delivery of the identified Freeport benefits and objectives. The adoption of a Gateway Policy mitigates against risks to delivery of these benefits by providing clarity on the eligibility of prospective businesses and/or organisations into the Freeport sites.

The Gateway Policy will form the basis for agreements between the PASD Freeport Board, private sector landowners and tenants who will ultimately be the beneficiaries of the tax site levers including Business Rates Retention (BRR). Compliance with the gateway policy will be the trigger for the consideration of discretionary Business Rates Relief by the relevant Council.

The purpose of the Gateway Policy will be to ensure that the PASD Freeport supports the clustering of businesses with a focus on the target sectors set out above. The core objective of the Gateway Policy will be to encourage international investment to meet our Freeport vision and objectives, and also to minimise displacement of existing economic activity. The aim is to attract new businesses to the Freeport and the wider region, as well as existing businesses that intend to expand their operations and are likely to benefit from the Freeport levers and further to generate supply chain opportunities across the Freeport Outer Boundary, Travel To Work Area (and indeed across the wider South West). Annexes 1 and 2 provide further detail on the vision and strategy.

Eligibility

Whilst tax and customs benefits will be applied within the Freeport boundary under primary legislation, the consideration of business rates relief will remain discretionary with the local authorities, subject to subsidy control, and aligned to the Freeport vision.

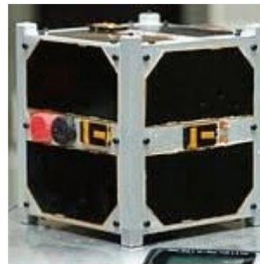
Landowners will align their development proposals to the Freeport vision for a period of a minimum of 5 years, including the key points around displacement.

With respect to UK companies and/or organisations looking to locate within the Freeport, the following criteria will be applied to the decision-making process:

- Businesses will need to clearly demonstrate how the proposed Freeport operations fall into one or more of the sectors above;
- Businesses will need to clearly demonstrate how the proposed Freeport operations represent incremental investment and employment additional to existing operations;
- Local businesses will not be precluded from applying to locate within the PASD Freezone but will need to show a significant uplift in new economic activity and growth to demonstrate genuine additionality that cannot be accommodated at their existing location; and,
- If a business is currently located within PASD and is a relocation for purposes of growth and/or expansion then evidence will be required to prove that no appropriate expansion space was available at the current site.
- Landowners can discuss other uses with the local authority, should they be able to demonstrate they have made best endeavours to comply with the Gateway Policy requirements, without a pipeline of suitable prospects coming forward.

Plymouth and South Devon Freeport

**Supercharging the South West economy
by building on our unique national
capabilities in marine, defence and space
to form globally impactful clusters and a
UK Innovation Superpower.**



- SW Powerhouse – realising the region’s full potential through the Freeport opportunity and thereby amass defence, marine and space primes and their rich local supply chains around the largest UK Naval port and near Europe’s only horizontal launch spaceport.
- Levelling Up Stimulus – driving much needed local skills, jobs and higher wages.
- Innovation Hotbed – fusing already strong innovation in marine, defence, space and enabling technology – with global leading projects and prototyping on synthetic testbeds and ocean proving grounds – spinning off viable products and early stage production runs in a supportive tax and regulatory environment.
- Sub-sector Specialism – marine autonomy, maritime decarbonisation, digital oceans, smart port and shipping, Offshore Renewable Energy support solutions, defence mission modules, small satellite fabrication.

Annexe 2 - Outline Business Case Executive Summary

EXECUTIVE SUMMARY

The Freeport represents a unique opportunity to level up, addressing historical challenges and leveraging exciting new opportunities to transform the economy of Plymouth and South Devon (PASD).

The PASD area has strong advanced manufacturing and engineering clusters with key specialisms in marine and defence where we can capitalise on major growing global markets. Spaceport Cornwall provides a new substantial prospect to establish a space cluster alongside these core regional capabilities. There are a range of opportunities within these sectors to put the area on the map as a science superpower, for example in autonomy and renewables, contributing to key national net zero agendas including short sea shipping within a smart port, autonomous and clean propulsion setting.

The area benefits from a range of natural and physical assets including:

- A natural harbour and sheltered water with deep water access to the English Channel and Atlantic Ocean for prototype testing, ocean trials and offshore renewable support;
- One of the largest naval bases in Europe with unique nuclear defence capabilities that allows for new applications, shipbuilding, transformative refits and on-shoring of specialist supply chains;
- The UK's first marine Enterprise Zone (EZ) at Oceansgate, underpinned by the Oceans Futures regional programme for sub-sector specialisms and focused marine innovation;
- World class businesses and research assets in marine autonomy and marine renewables with a plethora of high value and innovative civil and defence applications;
- The UK's first 5G connected ocean trialling area (Smart Sound) with plans to expand along coast and to subsea obstacle course and testbeds;
- Established freight routes through the Port of Plymouth with scope for growth with new routes and further rotations;
- Valuable waterside development sites with the potential to support marine/defence innovation and high value shipbuilding;
- Significant development sites within the Eastern corridor and favourable planning policies through the Joint Local Plan;
- A relatively uncongested major arterial road (A38 Devon Expressway) linking to the M5; and,
- In neighbouring Cornwall, Spaceport Cornwall providing the first and only horizontal launch site in mainland Europe allowing for a satellite high value manufacturing and system integration cluster to form.

With a proactive knowledge base including the universities of Plymouth and Exeter and a range of local colleges, there is a strong commitment to skills development, innovation and maximising R&D opportunities. However, despite these assets, there are comparatively low numbers of exporting businesses, low levels of innovation/R&D currently and skills deficits in key disciplines within the workforce. Additionally, there is a lack of modern workspace for businesses: the area suffers from major viability constraints which inhibit the private sector from bringing forward employment land. This lack of investment in infrastructure and space impedes business clustering opportunities for sub-sector specialisms and focused innovation. This in turn holds back our plans to transform the economy through clean and inclusive growth.

The Freeport provides a unique opportunity to overcome these issues 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; and,
- **Social regeneration** – by delivering a pipeline of jobs across the spectrum of employment from entry level to higher skilled/high value with upskilling opportunities.

It builds on existing investments and assets, dating back to the City Deal and will specifically enable us to undertake land remediation, core infrastructure and supporting transport works to develop three core sites that have long remained undeveloped and underutilised. These will create the opportunity for businesses to benefit from customs breaks and tax breaks in order to achieve a post-tax return on capital through the supply chain and economy:

- **The South Yard site** – located near the Port, incorporates the existing Oceansgate EZ and will be further developed as a tax site, forming the centrepiece of our innovative hotbed. Focusing on marine and defence sectors, the site will include an innovation centre and a mobility hub to unlock further development. Anchor tenant, Princess Yachts, will develop a new factory on land which they already own within the site and Babcock will also redevelop two key buildings ‘behind the wire’ of MOD owned land on the site for new manufacturing capacity;
- **The Langage site** – located on greenfield land within the Eastern corridor of the city, in close proximity to the A38 Expressway, is a strategic employment allocation. It will be developed as a tax site with a customs zone incorporated within it and will provide industrial and manufacturing as well as light industrial units for high value manufacturing/ engineering companies, focusing primarily but not exclusively on the marine, defence and space sectors. The site will also be home to a hydrogen plant being developed by landowner Carlton Power and a mobility hub to deliver sustainable and low carbon transport options; and,
- **The Sherford site** – located on the opposite side of the A38 Expressway to Langage forms part of the employment allocation of the Sherford new community. It will be developed as a logistics hub with a coterminous tax and customs site boundary, providing integrated warehousing, storage and engineering space for a single marine/defence contractor (Babcock). Babcock will also, in the shorter term, bring forward a smaller customs zone on the Burrington Way Industrial Estate in the North of Plymouth. Though sitting outside of our tax site boundaries, it will nevertheless form part of the Freeport footprint, enabling Babcock to meet their immediate needs whilst also serving other early Freeport tenants.

Seed capital will also support enhancements at the Port to enable the value and tonnage of cargoes to be expanded, thus supporting short sea shipping and an associated modal shift.

Underpinning the above, we will work with the Department for International Trade (DIT) on national and global strategic marketing to attract investment into the area and stimulate exporting through the DIT Export Academy. Our gateway policies will ensure that businesses locating in the Freeport are not displaced from elsewhere in the UK, thus delivering additionality.

A bespoke Research and Innovation Strategy will be developed, engaging with the Freeports Regulation Engagement Network (FREN) on regulatory flexibilities and freedoms. An Employment and Skills Strategy will also underpin all activities, ensuring that partners can accelerate higher value employment and training opportunities whilst also enabling new employment and inclusion opportunities, education and career options and wider supply chain innovation activity. Subject to

securing additional funding, a marine skills academy will provide specialist facilities capable of delivering the volumes of relevant training required in key disciplines.

The Freeport has strong alignment with local and regional agendas and will deliver tangible outcomes in core government policy areas:

- **Creating 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 FDI and investment, as well as increasing the number of businesses exporting;
- **Promoting regeneration and job creation** – increasing economic specialisation, delivering an increase in employment and average earnings, tackling deprivation and enhancing skills facilities; and,
- **Creating a hotbed for innovation** – increasing R&D spend, boosting GVA through increasing high value economic activity, increasing productivity, contributing to net zero research and innovation agendas and extending regional, national and international networks.

Our proposals deliver 3,547 jobs, represent good value for money, are commercially viable and are underpinned by sound governance and management structures. They are also backed by businesses with key anchor tenants having committed to investing in the Freeport and a strong pipeline of interest in the opportunity having been established.

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