

EES/24/1

Corporate, Infrastructure and Regulatory Services Scrutiny Committee  
25 January 2024

## Plymouth and South Devon Freeport Update

### Report of the Head of Economy Enterprise and Skills

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Please note that the following recommendations are subject to consideration and determination by the Committee before taking effect.

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#### **1) Recommendation**

That the Committee be asked to:

Note this update report and the progress made on delivery of the Plymouth and South Devon (PASD) Freeport.

#### **2) Background / Introduction**

The Plymouth and South Devon Freeport is one of 8 current Freeports designated by Government and is led by Plymouth City Council in partnership with Devon County Council, South Hams District Council, and the private sector. This is an ambitious programme aiming to create over 3500 jobs, and to play a crucial role in economic recovery and growth. The initiative is focused on creating high-value employment across key engineering and manufacturing sectors, delivering a Net Zero Programme and contributing to the county's levelling up agenda. At its core, the Freeport programme has three objectives:

1. National hubs for global trade and investment
2. Creating innovation in key specialism and growth sectors
3. Promoting regeneration through the creation of highly skilled jobs.

Freeports have been set up to act as hubs for global trade and investment across the UK, to act as designated tax and customs sites with benefits to businesses from tax incentives, simplified customs, investment funding to unlock sites and create high-skilled jobs. There is also a focus on establishing innovation clusters, fostering conditions to attract new businesses, investors, and innovations to the area.

The County Council took a decision in April 2022 to support the development of the PASD Freeport, and this report provides an update on progress to date.

#### **3) Update on Progress**

##### 3.1 Governance mobilisation

The Freeport began with a 'shadow' board which took the form of a public/private partnership with Plymouth City Council acting as Accountable Body. This arrangement was

superseded when the Plymouth and South Devon Freeport Company Ltd was incorporated on 16 May 2022. Recruitment of the Freeport core team and Board has taken place with the appointment of a Chair of the Board of Directors and Freeport Chief Executive Officer. An operations lead and growth and investment lead have also been appointed along with an administrator.

The Freeport's governance arrangements are compliant with Government guidance and UK company law. The Freeport governance is:

- Plymouth City Council act as the Accountable Body and receives the seed capital to support the delivery of the capital programme set out in the Full Business Case agreed with Government for the Freeport;
- The Freeport Company is a Company Limited by Guarantee established by the founder members who are the Local Authority partners. The Freeport Company Board operates and runs the Freeport within its delegated powers;
- The Local Authorities are responsible for delivering the capital works funded by Freeport seed capital and local public sector match generated through retained business rates and, for holding Landowners to account through the Landowner agreements;
- The Landowners are responsible for delivering their individual sites in accordance with the Landowner Agreements.

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

Since the start of 2023, the following governance activities have been completed:

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

Net zero is embedded across the governance structure with the Net Zero Lead attending all forums to ensure due consideration is given to this strategic priority area. This approach has been commended by Department for Levelling Up, Housing and Communities.

### 3.2 Net zero

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

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

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

*Milestones and Targets for Achieving Net Zero* – all three Local Authorities covered by the Freeport outer boundary have committed to achieving net zero by 2050 or earlier. In the case of Plymouth and Devon, the authorities have committed to achieving net zero by 2030. South Hams has committed to achieving net zero by 2050 and it is expected that milestones will be achieved in line with Government targets for 2030 and 2035. The Freeport will monitor and report progress in terms of scope 1 and 2 emissions (direct and indirect), and in addition, will strongly work towards reducing our scope 3 emissions (supply chains).

The Freeport will act as a catalyst towards 2030 targets, helping to accelerate the implementation of existing technologies (such as electric vehicles and hydrogen) as well as pioneering new solutions through the Innovation work, acting as a test bed for pioneering and lower carbon construction methodologies for industrial designs that promote circular economy measures. The table below shows Freeport proposals which directly contribute to our net zero ambition.

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

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

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

### 3.3 Seed Capital Programme

Twelve capital projects were identified within the Full Business Case (FBC) and approved by government. The FBC was developed in the early part of 2022. Individual investment cases are at varying levels of maturity. Since the FBC was submitted the economic landscape has changed significantly, increasing construction and borrowing costs. Despite this, the project is forecast to remain within the borrowing authorisations approved by Cabinet in April 2022. Expected timetables for delivery have also shifted as the MoU with Government was signed considerably later than expected.

Considering the above, the priority has been to:

- Review and redevelop the capital programme – to reflect changes since the FBC.
- Re-profile project timelines – allowing sufficient consideration of design and planning consideration and accelerating schemes where possible.
- Refresh costs – updating spend profiles and based on better understanding of project designs.
- Change requests – making formal change requests to DLUHC adjusting the seed funding profile.
- Releasing the £25m of seed capital – bringing forward business cases as quickly as possible for Technical Appraisal and Business Case Approval – to release grant and raise other funds efficiently to deliver projects at pace and on time.

Six business cases have come forward through the agreed approvals process, including transport and port infrastructure, premises and land assembly, with Devon County Council's lead schemes detailed below.

In October 2023 Devon County Council Cabinet approved the seed capital grant totalling £9.619m to bring forward essential Freeport infrastructure, such as a crossing of the A38 for active travel, sections of spine road in Langage to facilitate employment development and upgrades to an existing roundabout.

Progress on the design and delivery of these 3 transport schemes utilising the seed capital funding is as follows:

- Langage Spine Road Phase 1a:
  - Surveys undertaken and design being progressed
  - Advanced vegetation clearance scheduled for January 2024
  - Reserved matters planning application being prepared and due to be submitted February 2024
  - Business case approved for design and construction funding
- Langage Spine Road Phase 1b
  - Surveys undertaken with ground investigation to follow. Preliminary design being progressed
  - EIA screening submitted to inform requirements for planning application. Planning application due to be submitted Summer 2024
  - Business case approved for design funding
- Langage/Sherford Pedestrian Cycle Bridge
  - Business case approved for design funding
  - Surveys undertaken and design being progressed
  - Planning application to be submitted December 2023
- Langage Sandy Lane/Holland Road roundabout (design phase)
  - Business case submitted for design funding and approval awaited.

### 3.4 Trade and investment

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

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

The Freeport's anchor tenants in Plymouth, Princess Yachts and Babcock, are committed partners and Babcock have secured a £40m contract in partnership with Devon defence vehicle designer and manufacturer Supacat. This contract will deliver 90 new jobs and enables Babcock to expand its operations in the Freeport's South Yard tax site, with an initial order to manufacture 70 High Mobility Transporters (HMT 400 series) 'Jackal' military vehicles.

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

Building awareness among businesses in relation to the Freeport customs benefits is also gaining traction. The Freeport has aligned itself with Plymouth and Devon Chamber of

Commerce and Plymouth Manufacturers Group to target businesses with high import/re-export activity. This has generated a pipeline of potential customs site operators situated within the Freeport's Outer Boundary, and two businesses have submitted their initial application to HMRC.

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

In the Autumn Statement the Chancellor announced the following further Freeport incentives, aimed to strengthen the Freeport offer:

- Extension of tax reliefs to Sep 2031 - “conditional on agreement of delivery plans” with DLUHC stating they will publish a freeports delivery roadmap, outlining steps Government will take to ensure freeports can capitalise on this extension.
- A £150m Investment Opportunity Fund for Freeports and Investment Zones with details to follow.

### 3.5 Skills

In addition to its wider work programme, Devon is also leading on behalf of the Freeport partnership on related employment and skills activity, working closely with colleagues at Plymouth City Council and across the wider skills delivery landscape. Progress to date has been relatively slow but steady, reflecting the link between skills and training activity and the completion of the emerging Freeport capital programme.

Recognising the lead in times involved with some of the projects under consideration however, early work has begun around a range of pump priming activity, with discussions ongoing with potential employers, college and wider provider partners around specialist provision and aligning provision, with the intent to create a clear offer and package of support for individuals and companies coming forward. This includes work with trade union and wider partners around inclusive employment approaches, with the intent to improve local alignment and onboarding. Early work has also begun around initial successes at Oceansgate, with employment and skills colleagues across the Freeport team working with JCP on a ‘work academy’ model to source and support recruitment into Babcock Land’s recently announced production activity on site.

## **4) Strategic Plan**

The scheme is well aligned with several of the Councils Strategic Plan Priorities by providing sustainable economic growth, well-paid, skilled jobs for young people and improving active travel and public transport options.

<b>Strategic Plan Priority</b>	<b>Freeport</b>
Respond to the climate emergency	Net Zero is central to Freeport development and business cases including provision for active travel, innovation in building carbon reduction and hydrogen production.

Be ambitious for children and young people	Providing well-paid jobs and apprenticeships
Support sustainable economic recovery	Business growth and job creation in key sectors
Help communities be safe, connected and resilient	Enabling a range of transport options including public transport and active travel connecting the Freeport to local residential areas

## 5) Financial Considerations

There are no specific financial considerations in this report.

## 6) Legal Considerations

There are no specific legal considerations in this report.

## 7) Environmental Impact Considerations (Including Climate Change, Sustainability and Socio-economic)

There are no specific environmental considerations in this report.

## 8) Equality Considerations

An Impact Assessment was prepared for submission with the cabinet approval in April 2022 and is available on the Council's website at the link below.

The public sector equality duty has been considered by partners in the operation of the Freeport since its inception.

## 9) Risk Management Considerations

Risks are presented to Freeport Partners via a Risk Register at operational and Board meetings which is updated regularly. DCC has no corporate risks identified regarding the Freeport and there are no risks to consider in this report.

## 10) Summary

The Freeport continues to make progress and processes are in place to ensure the seed capital investment can be drawn down. The incentives announced in the Autumn Statement have potential to support the Freeport secure additional investment and develop identified growth sectors and opportunities. The announcement also provided a time extension to tax incentives providing further potential to maximise the impact from the Freeport designation.

**Keri Denton**

Head of Economy Enterprise and Skills

**Electoral Divisions:** All

Cabinet Member for Economic Recovery and Skills: Councillor Rufus Gilbert

## **Local Government Act 1972: List of background papers**

Cabinet 13<sup>th</sup> April 2022:

- Plymouth and South Devon Freeport.
- Impact Assessment Plymouth and South Devon Freeport

The above mentioned Reports are published on the Council's website at <http://democracy.devon.gov.uk/ieDocHome.aspx?bcr=1>

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Plymouth and South Devon Freeport Update - Final