

## **Plymouth and South Devon Freeport**

Joint report of the Head of Service for Economy Enterprise and Skills and the Director of Finance

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

### **Recommendations:**

- (a) Cabinet notes the work undertaken by the partners towards government's approval of the Outline Business Case and towards the Full Business Case, due for submission to government on 22<sup>nd</sup> April 2022.
- (b) Cabinet notes that the Freeport designation ensures 25 years of retained business rates for the participating authorities, for the designated sites.
- (c) Cabinet approves that the Council borrows up to £15 million of capital investment to leverage the government's seed capital funding of £9.6 million to deliver transport schemes, to support the development of the Freeport sites in Devon. This borrowing will be repaid from retained business rates in future years.
- (d) Cabinet approves the Council becoming a founder member of a company limited by guarantee to operate the Freeport, alongside South Hams District Council (SHDC) and Plymouth City Council (PCC). Cabinet approves the appointment, in due course, of a Member of Devon County Council to serve as a director of the company, following the completion of steps required to effect such appointment.
- (e) Cabinet delegates authority to the Head of Service for Economy Enterprise and Skills, in consultation with the Leader of the Council, portfolio holder for Economic Recovery and Skills and the Director of Finance and Head of Legal and Democratic Services to:
  - a. approve and submit the Final 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 for the company between SHDC, PCC and DCC
  - c. enter into the business rates sharing agreement with South Hams District Council
  - d. approve the Freeport Business Rates Policy, which with the business rates sharing agreement defines the basis for loan repayments and distribution of any surplus achieved, which will include contributions to ongoing running costs of the Freeport company and other activities which aim to avoid Business Rate displacement
- (f) Cabinet notes that appropriate scrutiny arrangements will be put into place in conjunction with SHDC and PCC regarding the operation of the Freeport.

## **1. Summary**

The purpose of this report is to seek approvals necessary to submit the Full Business case on 22<sup>nd</sup> April 2022, ahead of a tax site designation, enabling operations to begin in the early summer and to set up a Company Limited by Guarantee to operate the Freeport owned by Plymouth City Council (PCC), South Hams District Council (SHDC), and DCC, with director representation from PCC, SHDC, DCC and the private sector.

This report is submitted in parallel with approval processes taking place at our Local Authority partners, South Hams District council (SHDC) and Plymouth City Council (PCC). Reports ensure decisions align across the 3 authorities with Plymouth and South Hams having approved recommendations at their March Cabinet meetings.

The Plymouth and South Devon (PASD) Freeport is the result of a successful bid submitted in February 2021, with an Outline Business case submitted in November 2021. The business case shows that the establishment of the Freeport has the potential to unlock £314 million in inward investment and create 3,584 jobs. It will provide a new world class innovation space enabling the area to build on our global reputation for marine innovation and advanced engineering. It will anchor some large employers, protecting existing jobs and ensuring they can expand their local operations. It will unlock 130 Hectares of development land to provide space for high value advanced manufacturing and logistics companies. The Full Business Case will set out the ambition to deliver a Freeport that also contributes positively to the achievement of Carbon Net Zero.

## **2. Introduction**

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 breaks, simplified customs, investment funding to open up sites and creating of high-skilled jobs. There is also a focus on establishing innovation clusters, fostering conditions to attract new businesses, investors and innovations to the area.

See appendix 1 for a description of a Freeport and the benefits to occupiers, which will be available for occupiers for 5 years, up until 2026/27.

The local authorities will be able to retain 100% of the business rates growth above an agreed baseline. This will be guaranteed for 25 years, giving certainty to support the Council forward fund key infrastructure to secure economic growth benefits.

Business rates relief will be administered through the relevant local authority and available for 5 years subject to eligibility criteria, that can be developed locally and will be aligned to a gateway policy. A supportive planning environment is provided through the Joint Local Plan which already has development policies covering the tax and customs sites.

Freeports enjoy direct access to relevant regulators through a Freeport Regulatory Engagement Network (FREN). This will enable early engagement with regulators, minimising bureaucracy and uncertainty. The Department for International Trade (DIT) will provide targeted and specific trade and investment support to Freeports,

helping each to secure investment and attract exporters. Our Freeport will adhere to UK regulatory standards. Security, health and safety, workers' rights, data protection, biosecurity, tax avoidance and environmental protection will not be compromised.

The bid submitted in February 2021 set the outer boundary of the Freeport to be consistent with the Plymouth and South Devon Joint Local Plan area. Three primary sites were identified; at South Yard in Devonport, Langage Energy Park and the Sherford Employment Zone, together with elements of the Port of Plymouth at Millbay Docks and Cattewater Harbour. The bid was jointly led by Plymouth City Council, South Hams District Council and the County Council.

In March 2021 the PASD Freeport was announced as one of 8 successful bids. Following this announcement, the partners developed and submitted an Outline Business Case in November 2021 which was non-binding. Governance and oversight are being provided by a Shadow Board made up of senior officers from the local authority partners, the Heart of the South West LEP, Universities of Plymouth and Exeter and since January 2022, principal landowners have joined the board.

### **3. The Plymouth and South Devon Freeport Proposal**

#### **3.1 The Vision**

The Freeport aims to grow the local and regional economy by building on our unique national capabilities in Marine, Defence and Space and through a focus on key assets such as the Naval port in Plymouth and the opportunities of growing supply chains around these capabilities, support the whole of the regional economy.

The Freeport can also support the wider levelling up agenda and stimulate local skills, jobs and higher wages. The creation of a supportive tax and regulatory environment can foster innovation and develop further strong collaborations from our business base, Exeter and Plymouth Universities.

A number of sub-sector specialisms including marine autonomy, maritime decarbonisation, smart port shipping and offshore renewable energy have been identified within our business base which have the potential to increase productivity and develop links with other specialisms such as digital and low carbon technologies.

#### **3.2 The Partnership**

We are working in close partnership with the Department for Levelling Up, Homes and Communities (DLUHC) and a number of other government departments, including HM Revenues and Customs, the Treasury and the Department for International Trade. The 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

### **3.3 The Tax and Customs Sites**

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 encompasses the 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.

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 £63 million 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.

Princess Yachts employs 3,000 staff on the South Yard Site. 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 and expanding the value of regional supply chains.

Langage is located on greenfield land in close proximity to the A38 Expressway and 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 delivery of critical sustainable and low carbon transport options. Development is anticipated to come forward in two phases, taking place between 2022 and 2027.

Phase 1a will be delivered first encompassing a 25,000m<sup>2</sup> Customs Zone and other plots on land owned by Langage Energy Park Ltd (LEPL). The majority of 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). LEPL are in discussion with Ofgem regarding potential to move the solar panels.

At Langage, the Freeport will bring forward private investment for a 10MW hydrogen plant which will be online by the end of 2025. 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.

Sherford - Located on the opposite side of the A38 Expressway to the Langage site, the 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.

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 at South Yard.

### **3.4 Customs sites**

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 (Appendix 8). Since these sites cannot be delivered before site infrastructure, a temporary customs site has been identified to ensure HMRC requirements are met to have a fully operational customs site before the Freeport can be formally designated. Babcock, who already meet the government criteria for customs operators, have agreed to seek authorisation as customs site operator at the Burrington way site in Plymouth. Consideration of longer term options, including the procurement of a single customs operator to cover all the customs operations is underway.

Freeport partners have 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.

The Freeport has 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.

### **3.5 Governance**

The Freeport is a partnership arrangement involving long term financial arrangements that accordingly needs strong governance.

The Outline Business Case set out an intention to establish the Freeport as a legal entity. Our independent legal advisors, Womble Bond Dickinson, have provided us with written advice concluding that a Company Limited by Guarantee is a suitable delivery vehicle to meet our objectives. The proposal is for Plymouth City Council to be the Accountable Body and enter into the required legal agreements with Government, including receipt of seed funding. Plymouth City Council, Devon County Council and South Hams District Council will be the founding members of the proposed company and enter into a Members Agreement that will set out the flow of capital funds to the County Council to support the delivery of the infrastructure required to bring forward Langage and Sherford. The Agreement will also define the Freeport Company's scheme of delegation and the Local Authority reserved matters.

The Company Member's Agreement will give the Freeport Company autonomy to operate and run the Freeport within defined parameters, and Members would retain control over strategic and significant matters via Reserved Matters; this would include the sign off an annual business plan and budget. This model gives the Local Authority partners the necessary control to oversee the delivery of Freeport business plan, and scrutiny of public finances, whilst giving the Freeport Company the responsibility and decision making necessary to operate the Freeport.

### **3.6 Gateway Policy, avoiding displacement and Business Rates Relief Policy**

Government requires Freeports to clearly demonstrate that they avoid displacing activity from elsewhere and provide genuine additionality, bringing in new jobs and investment. The proposal unlocks key employment sites that have been stalled for several years bringing forward growth that would either not have happened or would have happened much more slowly.

The Freeport is focussed on attracting new high value investment within target sectors. To ensure this is realised it is proposed to adopt a Gateway Policy to mitigate against risks of displacement and to support the delivery of the anticipated growth and employment benefits.

The Gateway Policy would 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. The Gateway Policy would be the trigger for the application of discretionary Business Rates Relief.

See appendix 3 for the Gateway Policy.

### **3.7 Land Owner Agreements**

The Freeport team have extensively engaged with key landowners to co-design heads of terms, a gateway policy, site benefits analysis, a new revenue budget and a detailed delivery programme. The heads of terms define the parties to each of the agreements, being the Landowner, collecting Local Authority and the Freeport Company, committing them to work together to develop the site in accordance with the Freeport vision.

South Hams District Council is the collecting local authority and rating authority for all of the Sherford and Langage agreements, entering into them with the respective landowners and the Freeport Company. Plymouth will undertake the role for the South Yard site.

### **3.8 The Outputs**

The Freeport proposal has the potential to transform the local and regional economy. Significant economic and employment modelling has been undertaken to support the development of the business case and working of various growth scenarios. The anticipated outputs will be refined in the final business case but currently are:

1. 3,584 direct jobs created with an average wage level of at least £13.92 per hour
2. 10% of jobs created to be filled by inactive claimants and registered unemployed
3. 3,000 m<sup>2</sup> of skills infrastructure
4. 2,400 m<sup>2</sup> of new innovation space
5. 137.9 hectares of land developed
6. 5 new businesses each year
7. 2-3 new FDI each year
8. 40 Business/Higher education collaborations annually from 2022
9. £4m a year in private investment in research & development
10. 10 new products developed for market

It is expected that the Freeport will 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.

In addition to the economic outputs highlighted above, the Freeport will generate a positive impact on the Council's corporate strategic plan 2021-2025 priorities, including Invest in Devon's economic recovery and Respond to the climate emergency. It also supports the aims of the Team Devon Recovery Prospectus and the Economy Skills and Enterprise Service's Strategy for Growth.

Freeports is one of the key strands of Government's Global Britain strategy, Plan for Jobs. It complements the Levelling Up White Paper and would place Devon in a strong position to influence future investment and funding streams and support the emerging Devon County Deal.

### **3.9 Timeline**

The key milestones and latest dates are set out in the table in appendix 4 below.

#### 4. Options/Alternatives

Brief details of alternative options considered and rejected are in the table below:

Option	Pros	Cons
Do nothing	<ul style="list-style-type: none"> <li>No risk to DCC</li> </ul>	<ul style="list-style-type: none"> <li>No DCC involvement would have ramifications with government and partners on other agendas, such as County Deal.</li> <li>Transport infrastructure for the Freeport difficult to bring forward without DCC involvement</li> <li>Tax site benefits reduced for occupiers and offer less attractive overall.</li> <li>Reduced economic benefits and retained business rates</li> </ul>
Do not borrow for infrastructure	<ul style="list-style-type: none"> <li>Lower financial risk to DCC</li> </ul>	<ul style="list-style-type: none"> <li>Government seed funding needs match, which SHDC cannot meet.</li> <li>The economic benefits would come forward more slowly, utilising retained business rates and beyond the 5 year period of tax benefits, making the offer to businesses less attractive.</li> <li>Reduced economic benefits and retained business rates</li> </ul>
Three Local Authorities act as separate accountable bodies for different workstreams	<ul style="list-style-type: none"> <li>Increased control for DCC over seed funding for transport infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>Complex and bureaucratic processes then required across partners to agree all investments</li> </ul>
Use an alternative company model or an arrangement between LA partners only for governance	<ul style="list-style-type: none"> <li>More control for local authorities over investments</li> </ul>	<ul style="list-style-type: none"> <li>Government guidance requires a public/private company to be set up to operate the Freeport, so is required for business case approval.</li> </ul>



## 5. Consultations

Two specific stakeholder events have been delivered in July and December 2021. Partners plan to hold a further public consultation event later this year as we move into the operational phase of the Freeport. Planning consents for the Freeport sites will be sought in the normal way and the public will be able to engage with these following normal routes.

## 6. Financial Considerations

### 6.1 Capital Investment

The total investment in the Freeport is predicted to reach £314 million (Appendix 5). This is made up of £25 million in Government seed capital grant with local public sector match funding of £29 million. For the South Yard site, Plymouth City Council is bidding for a further £10 million through levelling up grant income. It is anticipated that the total private sector investment levered will be close to £250 million.

Table 6.1a Summary of public and private sector investment

Source	Total Value £'000
HM Government Seed Capital	£25,000
Local authority borrowing	£29,076
Grant Income (Levelling Up)	£10,000
Private Sector Investment	£249,670
<b>Total</b>	<b>£313,746</b>

At Langage £33 million in public investment will be provided to support land assembly, site preparation and transport links, including a new cycle/pedestrian bridge over the A38 to serve both Sherford and Langage. This will leverage £118 million in private investment to build advanced manufacturing units and logistics facilities and a further £28 million to deliver a Green Hydrogen electrolyser plant.

At Sherford £1 million in public and £5 million in private investment will support site preparation and transport links, private sector investment in off-site costs will be £3 million and a further £62 million will be invested in developing a state of the art logistics facilities.

In South Yard public investment of £17.3 million and a £10 million levelling up fund grant will deliver a new Innovation Centre and Mobility hub at Oceansgate. Princess Yachts will invest £21 million to deliver a new factory to build the next generation of super yachts, supported with £0.9 million of public investment and Babcock will invest £6.5 million in new and upgraded infrastructure.

Associated British Ports will invest £5.7 million supported with a £1.3 million public sector investment in the developing new port infrastructure to ensure adequate additional capacity and to provide enhanced freight facilities.

## Capital - Public sector funding

The local authority partners will fund £29 million which will be repaid through the use of retained business rates.

Table 6.1b Summary of public sector funding by local authority

Local Authority	Borrowing £000
Devon County Council	14,289
South Hams District Council	4,625
Plymouth City Council	10,162
<b>Total</b>	<b>29,076</b>

The following table shows the infrastructure that the Authority will be funding through borrowing:

Table 6.1c DCC borrowing by scheme

Description		Project Cost £'000	less Seed Funding £'000	DCC Borrowing £'000
Spine Road extension		11,570	(5,950)	5,620
Cycle and pedestrian bridge		7,338	(3,669)	3,669
Road Link to Sandy Road		5,000	0	5,000
<b>TOTAL</b>		<b>23,908</b>	<b>(9,619)</b>	<b>14,289</b>

It is expected that the Authority will borrow from PWLB through annuity loans (repayment of principal during the lifetime of the loans) but a final decision will be made based on the best rates available at that time.

## 6.2 Retained Business Rates

The additional Business Rates generated on the Freeport tax and Customs sites collected by the local authority partners will be held in two ring fenced Freeport accounts– one administered by Plymouth and the other administered by South Hams DC (Langage and Sherford). It is estimated that this will generate £72 million over a period of 25 years for the whole Freeport area.

The first call on the retained business rates will be to finance the costs of borrowing (interest and repayment of borrowing) to support the Freeport investment and subsequent lifecycle costs (maintaining infrastructure assets). The funds generated will also be used to support operating costs after the first five years.

The projected surplus of £32 million after these costs are met will be reinvested to meet wider Freeport objectives with the early priorities being innovation and skills funding, and after offsetting the impact of any displacement of economic activity from the surrounding areas. Appendix 6 shows the projected income and expenditure for the whole Freeport area – both the Plymouth and South Hams (Langage and Sherford) accounts.

The Freeport Revenue Operating model forecasts that for years 1 to 5, income from landowner contributions and government grants will cover the projected revenue costs of operating the Freeport (Appendix 7). From Years 6 to 25, the financial model forecasts that the operating costs will be met exclusively from retained business rates.

The funding of the Freeport's operating costs are shared 75% from the surplus business rates (after borrowing costs) from the South Hams designated area and 25% from Plymouth, based on the total projected income from each area.

The following table shows how the ringfenced account for Langage and Sherford will be used to finance the costs for Devon CC and South Hams DC and share of the Freeport operating costs.

**Table 6.2a Summary of revenue income and expenditure (Langage and Sherford)**

South Hams Ringfenced Business Rates Account	Yrs 1-5	Yrs 6-10	Yrs 11-15	Yrs 16-20	Yrs 21-25	Total
	22/23 -	27/28 -	32/33 -	37/38 -	42/43 -	
	26/27	31/32	36/37	41/42	46/47	
	£'000	£'000	£'000	£'000	£'000	£'000
Retained Business Rates - Langage and Sherford	(4,242)	(13,089)	(14,698)	(16,224)	(17,919)	<b>(66,172)</b>
DCC - Interest and repayment of borrowing	1,064	4,434	4,434	4,434	4,434	<b>18,800</b>
SHDC -Interest and repayment of borrowing	869	1,334	1,334	1,334	1,334	<b>6,205</b>
Langage and Sherford - Lifecycle costs of maintaining assets	128	738	1,295	1,521	2,151	<b>5,833</b>
Langage and Sherford - Business Rates Contribution to Freeport Operating Costs	0	1,717	1,895	2,092	2,310	<b>8,014</b>
<b>Langage and Sherford Residual Business Rates</b>	<b>(2,181)</b>	<b>(4,866)</b>	<b>(5,740)</b>	<b>(6,843)</b>	<b>(7,690)</b>	<b>(27,320)</b>
<i>Risk sensitivity (business rates)</i>	51%	37%	39%	42%	43%	41%

A business rates sharing agreement between Devon CC and South Hams DC has been drafted. This agreement between the two authorities sets out how any surplus business rates from Langage and Sherford will be allocated.

Much of the displacement (impact on businesses not benefiting from Freeport tax and planning incentives) is likely to occur outside the Plymouth / South Hams area. Consequently, Devon CC will use 20% of any net surplus to offset the impact of displacement and other priorities aligned to the wider objectives of the Freeport.

Such funds could be used to:

- Support the development of supply chains to retain economic benefit locally across Devon, including marine, defence and advanced manufacturing at key locations
- Support net zero investments and advance green technologies which can benefit the Freeport through knowledge exchange
- Extend technical skills provision to attract and retain key skills beyond the Freeport boundaries

The use of these surplus business rates in South Hams and those in Plymouth will have due regard to the priorities mutually agreed between the partners at the Joint Local Partnership Group.

### **6.3 Sensitivity Analysis**

Sensitivity testing of the 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.

Table 6.2b shows the risk sensitivity for business rates and a “buffer” of 41% overall. Business rates income is linked to occupancy of units. Business rates or occupancy levels would have to be 41% lower than forecast before income may not be sufficient to meet costs.

The business case assumes that construction inflation is an average 4.3% each year. If construction inflation increases by 1% more than forecast then the additional borrowing for DCC would increase by £780,000 and with interest costs this would amount to just over £1 million of additional debt charges over the 25 years. Annual inflation for construction costs would have to approach 24% each year before business rates may not be sufficient to cover costs.

The financial assessment shows that there is sufficient headroom for the projected business rates income to meet borrowing costs.

For each separate account (Plymouth and South Hams accounts) should business rates income in any one year be insufficient to meet the debt charges, lifecycle costs and share of the operating costs of the Freeport then a deficit will arise. This deficit will be met by any cumulative surplus from previous years. If there is still a deficit then it is carried forward to be met from business rates in future years.

Local authority accounting rules may require each local authority to meet the costs of the deficit in the year it arises but any deficit will be reimbursed from future surpluses.

For the Llangage / Sherford account the deficit will be met in proportion to the borrowing outstanding at the end of that financial year for Devon County Council and South Hams District Council. Plymouth would be responsible for any deficit arising from its account.

### **6.4 Accountable Body**

Plymouth City Council will act as the sole accountable body for the Freeport seed capital grant. A delivery plan incorporated within the Members' Agreement will be set out how this money will be managed and accounted for.

Plymouth City Council and South Hams District Council will establish a ring fenced fund to collate the retained business rates and will allocate them in accordance with the Business Rates Retention policy. The policy will be agreed by the Local Authority Partners through the Joint Local Partnership Group (or any successor agreed in the governance arrangements). This will include the central government reimbursement of funds allocated to support the 5 years business rates relief, which we expect to give businesses that comply with our gateway policy.

The Member Steering Group will receive an annual audit report prepared by the S151 officers of the Local Authorities supported by the Freeport finance manager.

## **7. Legal Considerations**

The legal implications of the proposals have been considered in the preparation of this report.

A Company limited by Guarantee is proposed to become the Freeport managing entity with Plymouth City Council, Devon County Council and South Hams District Councils its founding members. See appendix 2 for the features and principles laid out for the Freeport Company. The Councils have the powers under section 4 of the Localism Act 2011 to set up a company and our external legal advisors, Womble Bond Dickinson, have been providing legal assurance and support on this aspect of the project.

The Freeport Company will be responsible for the management of the Freeport, employment of staff, delivering the Freeport business case and providing agreed shared services. It is anticipated these shared services will include marketing, inward investment and skills activities as they relate to the Freeport. The Landowners are responsible for delivering their individual sites and The Councils are responsible for delivering the Capital works funded by Freeport capital funding and retained business rates.

The Local Authority reserved matters will include but not be limited to:

- Agreement of the Freeport Companies Annual business and financial plan.
- Appointing the Chair of the Board.
- Agreeing a scheme of delegation for the Freeport Company.
- Enforcement of the landowner agreements and gateway policies
- Allocation of retained business rates surpluses beyond those identified in the Freeport Full Business case
- Annual joint scrutiny

Womble Bond Dickinson are preparing the Articles of Association and Members' Agreement in accordance with the instructions of the three councils.

Separately, Womble Bond Dickinson have provided the three councils with comprehensive initial advice on subsidy control in relation to the Freeport sites. This will be kept under review with further advice being sought as and when needed as the project progresses to ensure that any provision of public monies are made in compliance with subsidy control rules, particularly in light of the anticipated passage of the Subsidy Control Bill later this year.

## **8. Environmental Impact Considerations (Including Climate Change)**

The development of the Freeport is intended to assist us meeting our net zero carbon targets, including through the development of a hydrogen production plant by

the private sector. Through the planning process the Joint Local Plan Group will ensure the sites are built out to the latest net zero building standards.

The funding will promote the use of cycling via a bridge over the A38, and core infrastructure funding for Langage will include provision for Electric Vehicle charging and cycling. The impact assessment for the scheme provides more information.

## 9. Equality Considerations

Where relevant to the decision, the Equality Act 2010 Public Sector Equality Duty requires decision makers to give due regard to the need to:

- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
- advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
- foster good relations between people by tackling prejudice and promoting understanding.

Taking account of age, disability, race/ethnicity (includes Gypsies and Travellers), gender and gender identity, religion and belief, sexual orientation, pregnant women/new and breastfeeding mothers, marriage/civil partnership status in coming to a decision, a decision maker may also consider other relevant factors such as caring responsibilities, rural isolation or socio-economic disadvantage.

This may be achieved, for example, through completing a full Equality Impact Needs Assessment / Impact Assessment or other form of options/project management appraisal that achieves the same objective.

In progressing this particular scheme/proposal, an Impact Assessment has been prepared which has been circulated separately to Cabinet Councillors and is also available alongside this Report on the Council's website at: <https://new.devon.gov.uk/impact/>, which Councillors will need to consider for the purposes of this item.

## 10. Risk Management Considerations

The top 5 risks associated with the Freeport are set out below. The risk register is regularly reviewed by the Freeport team and all risks are reported through Freeport governance arrangements and actively managed by the Freeport delivery team.

Risk Description	Combined Score	Mitigation	Combined Score
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	16

		need to demonstrate public interest outweighs market distortion.	
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
National Highways stop further planning at any site until junctions are improved	20	50,000m2+ of employment space is consented and available for uptake at Langage and about 14Ha of space will become available at Sherford. Work collaboratively with National Highways as part of infrastructure board to develop solutions and phasing. Modelling underway to test and understand.	12
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
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.	12

**Financial Risks:** The current key financial risks are in the table below:

Risk	RAG	Mitigation	RAG (Post Mitigation)
Occupancy levels from Development of Phase 1a and Phase 1b at Langage are significantly lower than forecast. Business rates do not cover costs in initial years.	12	Review requirement for link road to Sandy Road scheduled in 2026/27 – to reduce / defer infrastructure spend.	6
Business Rates income is not sufficient to cover costs.	6	Review Freeport Operating Costs	4

## 11. Summary and Reasons for Recommendations

The Plymouth and South Devon Freeport will enable us to build back better in the wake of the COVID 19 pandemic, providing 1000s of new jobs and training opportunities to underpin our recovery. It is designed to leverage our strengths, the thriving marine innovation sector and traditional defence links, as well as the emerging space sector. A net zero strategy will ensure that this growth aligns with our climate change targets. Key employers for the area serve as anchor tenants and the Freeport enables them to pursue ambitious expansion plans towards creating these jobs across the Freeport sites.

The Freeport unlocks much needed employment land to create space for a new wave of advanced manufacturing and green energy firms to locate in the area and the tax and customs benefits will provide additional incentive to accelerate the rapid development of the sites.

There are risks, and financial considerations for the Council as well as potential significant economic, environmental and social benefits.

We have considered the potential impact that displacement would have on other parts of the County and have made provision to address this through the Gateway Policy and through enabling Freeport aligned investment further afield, through the projected surplus business rates policies to be agreed with partners and government.

Keri Denton  
Head of Service, Economy Enterprise and Skills

Angie Sinclair  
Director of Finance

Electoral Divisions: All



Cabinet Member for Economic Recovery and Skills Councillor Rufus Gilbert  
Cabinet Member for Finance Councillor Phillip Twiss

**Local Government Act 1972: List of Background Papers**

Contact for Enquiries: Melanie Sealey, Peter Lappin  
Tel No: 01392 383000      Room: County Hall, Exeter

<b>Background Paper</b>	<b>Date</b>	<b>File Reference</b>
None		

**List of Appendices:**

- 1. Freeport overview and benefits, including customs zone**
- 2. Freeport Company Features and Principles**
- 3. Gateway Policy (and 2 annexes)**
- 4. Timeline**
- 5. Capital Expenditure**
- 6. Retained Business Rates and Expenditure for Plymouth and South Devon Freeport**
- 7. Operating Model**
- 8. Site Maps – a Langage, b Sherford, c South Yard**

Plymouth and South Devon Freeport - Final

## Appendix 1 to EES/22/3: Freeport Overview and Benefits

### What is a Freeport?

The Government have set three objectives for the Freeport programme, to: -

- Establish Freeports as national hubs for global trade and investment across the UK: intensify the economic impact of our ports by enhancing trade and investment and generating increased economic activity across the UK
- Promote regeneration and job creation: create high-skilled jobs in ports and the areas around them, prioritising some of our most deprived communities to level up the UK economy
- Create hotbeds for innovation: create dynamic environments, capitalising on new ideas and fostering the conditions that will attract new businesses, investors and innovations.

To support the achievement of these objectives the Government will provide seed capital and a package of benefits encompassing tax and customs levers which will be made available in designated areas described as tax and customs sites.

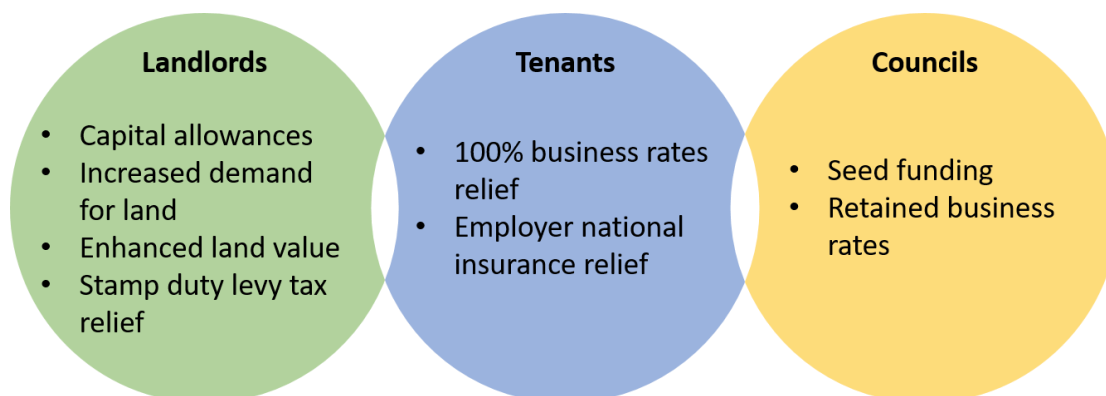
Tax sites are areas of undeveloped, or underdeveloped, land which will be developed as sites for new economic enterprises that support the achievement of the government's objectives, they are similar in most respects to Enterprise Zones. Each Freeport may identify up to three tax sites within its outer boundary where the tax reliefs will apply.

Customs sites are areas which for practical purposes will be demarcated as being outside of UK customs territory. This enables businesses operating within them to suspend their liability to excise payments and VAT until such time as goods are brought onto the UK customs territory.

### What are the benefits?

Each Freeport will be granted up to £25 million of seed capital funding, primarily to be used to address infrastructure gaps in tax and/or customs sites that are holding back investment.

Figure 1. Shows the possible benefits of a Freeport to different groups of stakeholders.

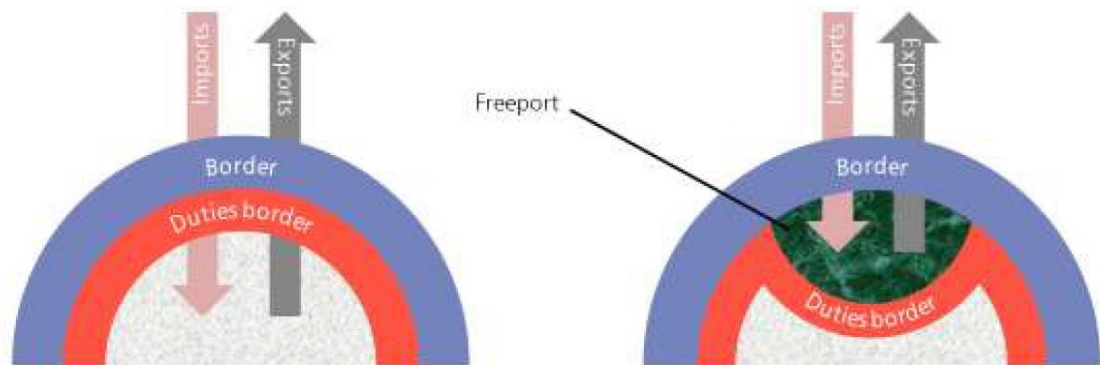


Eligible businesses will have access to a suite of tax reliefs including:

- Business Rates Relief;
- Stamp Duty Land Tax (SDLT);
- Employer National Insurance Contributions (NICs);
- Enhanced Structures and Building Allowance, and;

- Enhanced Capital Allowances designed to incentivise new investment within the boundaries of Freeport tax sites.

### Customs Zone benefits



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.

## **Appendix 2 to EES/22/3: Freeport Company Features and Principles**

The Freeport Company will have the following features and principles.

**A members steering group** made up of the leaders and Chief Executives of each of the three local authority partners will provide strategic oversight and ensure alignment with the emerging County deal.

**An independent 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. It is anticipated that the Founding directors will include but not limited to:-

- Private Sector Chair
- Directors from each Local Authority
- Directors from landowners in each tax site including Princess Yachts, Babcock, Langage Energy park Limited
- A Director from the Port Operators, Universities and Business Organisations

**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, incorporating: -

**An annual delivery plan and budget** – 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, and;

**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 to EES/22/3: Gateway Policy (including 2 Annexes)**

### **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.

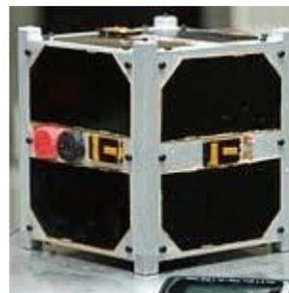
Landowners will align their development proposals to the Freeport vision for a period of a minimum of 5 years, including the key points around displacement.

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 Langan 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 Langan 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.

## Appendix 4 to EES/22/3: Timeline

The memorandum of understanding between the government and the local partners cannot be issued less than 21 days after the tax sites are legally established so these are in practice the earliest possible dates. If these dates slip there is nothing to stop us commencing work on site in anticipation of the grant letter and memorandum being issued.

<b>Milestones/Latest Dates</b>	<b>Date</b>
Plymouth City Council Decision	23/02/2022
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
Joint Local Partnership 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
Staff recruitment process commences	01/05/2022
Primary customs site is operational 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

## Appendix 5 Summary of Capital expenditure

Site	Detail	Lead LA	£m
Langage	Spine Road extension, Phase 1	DCC	11.6
Langage	Linkage from Langage site to Sandy Road in order to access A38 (scheme details TBC)	DCC	5.0
Langage	Land assembly, core infrastructure and security fencing	SHDC	9.6
Langage / Sherford	Cycle and pedestrian bridge	DCC	7.3
Langage	Hydrogen Plant		28.2
Langage	Units		117.9
Sherford	Access roads @ Sherford	DCC	4.9
Sherford	Core Infrastructure and Security fencing @ Sherford	SHDC	1.2
Sherford	Units		62.1
Sherford	Private investment in offsite costs		2.9
PCC	Octagon Roundabout improvement	PCC	0.2
PCC	Ports Infrastructure	PCC	7.0
South Yard	Mobility Hub @ South Yard	PCC	8.6
South Yard	Innovation Centre	PCC	15.3
South Yard	Heritage Centre	PCC	0.3
South Yard	Re-routing MoD cabling to clear site	PCC	3.1
South Yard	Babcock		6.5
South Yard	Princess Yacht Factory @ South Yard - site remediation		22.0
Total			<b>313.7</b>

## Appendix 6 to EES/22/3: Retained Business Rates and Expenditure for Plymouth and South Devon Freeport

Freeport Income and Expenditure	2022/23	2023/24	2024/25	2025/26	2026/27	06 - 10	10 - 15	16 - 20	20 - 25	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income</b>										
Business Rates Retention	0	(7)	(712)	(1,793)	(2,186)	(14,219)	(15,945)	(17,601)	(19,440)	<b>(71,903)</b>
Other Income at South Yard	(94)	(139)	(163)	(198)	(356)	(2,954)	(3,609)	(3,763)	(3,642)	<b>(14,918)</b>
<b>Total income</b>	<b>(94)</b>	<b>(146)</b>	<b>(875)</b>	<b>(1,991)</b>	<b>(2,542)</b>	<b>(17,173)</b>	<b>(19,554)</b>	<b>(21,364)</b>	<b>(23,082)</b>	<b>(86,821)</b>
<b>Expenditure</b>										
Total debt charges	29	209	671	1,005	1,295	7,765	7,765	7,765	7,765	<b>34,269</b>
Lifecycle costs	0	0	168	170	187	1,456	2,088	2,396	3,117	<b>9,582</b>
Total Operating Costs	0	0	0	0	0	2,290	2,527	2,789	3,080	<b>10,686</b>
<b>Expenditure total</b>	<b>29</b>	<b>209</b>	<b>839</b>	<b>1,175</b>	<b>1,482</b>	<b>11,511</b>	<b>12,380</b>	<b>12,950</b>	<b>13,962</b>	<b>54,537</b>
<b>Residual income</b>	<b>(65)</b>	<b>63</b>	<b>(36)</b>	<b>(816)</b>	<b>(1,060)</b>	<b>(5,662)</b>	<b>(7,174)</b>	<b>(8,414)</b>	<b>(9,120)</b>	<b>(32,284)</b>
<b>Risk sensitivity</b>			5%	45%	48%	40%	45%	48%	47%	45%

## Appendix 7 to EES/22/3: Operating model

The following tables set out the operating costs for Freeport, they are not costs which DCC will incur directly.

The operating model will create 7 new posts (4.5 FTE) including a Freeport Chief Executive Officer. Some of these roles may be performed through Service Level Agreements and be hosted by the partner authorities or other organisations such as the University of Plymouth. An additional indicative sum is included in the operating model to secure a customs site operator when the 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 &amp; security operator (via SLA)</i>	Apr-24
Marketing, Trade and Investment Manager	Jun-22
Innovation Manager	Jun-22
Finance Manager	Jun-22
<b>Annual Total Expenditure £</b>	<b>£398,500</b>

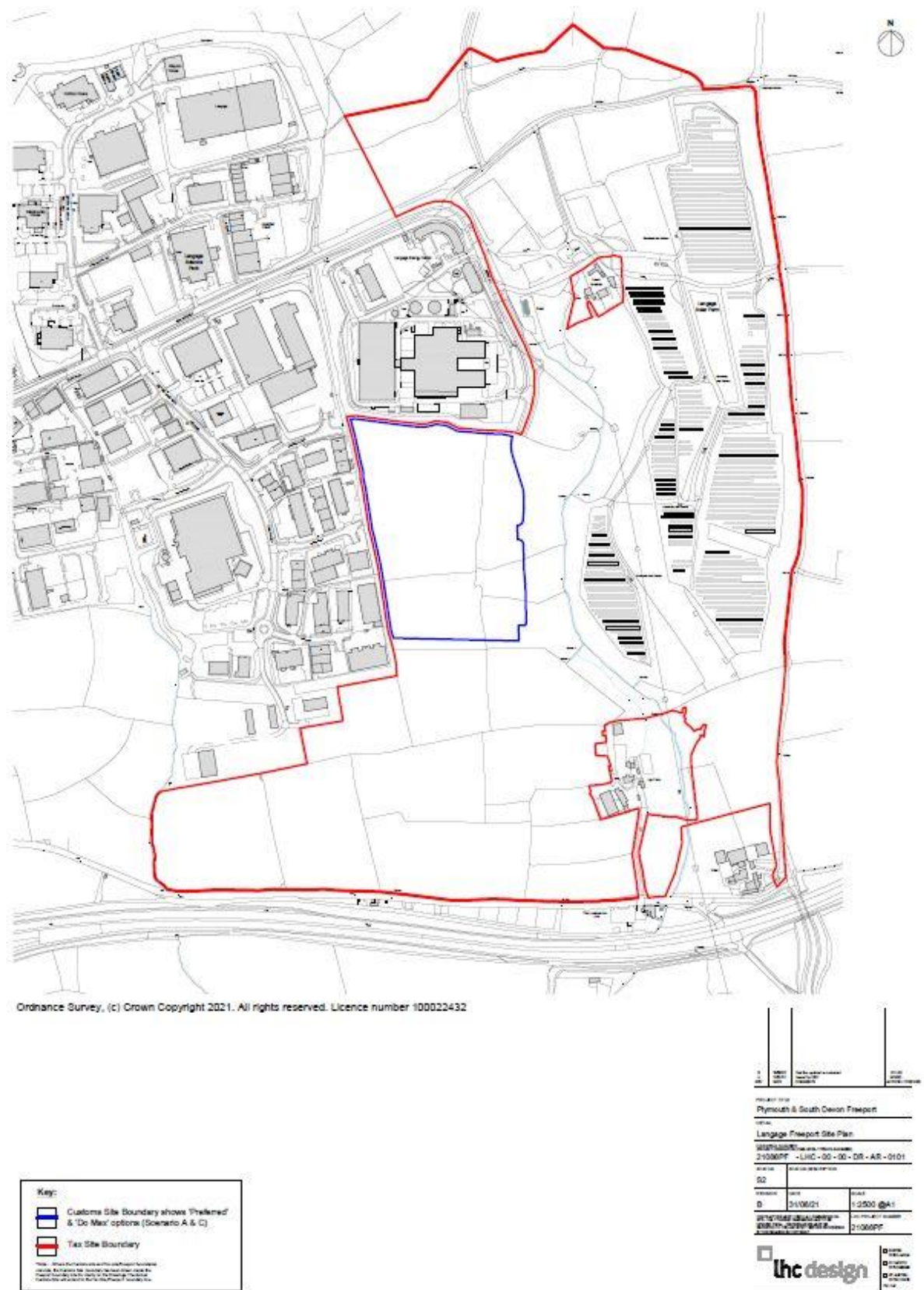
In the first year of operation additional non-repeating expenditure will be required to achieve Freeport mobilisation. These include staffing and consultancy costs incurred before the Freeport team is recruited, marketing expenditure to ensure our investor pipeline is robust and additional planning capacity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

Non repeating 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	90,600
<b>Total</b>	<b>428,477</b>

The operating model will be fully funded through public and private sector landowner contributions supplemented with our government Freeport revenue grant over the first 5 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					
<b>Income subtotal</b>	<b>634,744</b>	<b>467,460</b>	<b>(47,430)</b>	<b>(1,560)</b>	<b>(1,591)</b>	<b>(1,623)</b>
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
<b>Income subtotal</b>	<b>-</b>	<b>200,000</b>	<b>408,000</b>	<b>416,000</b>	<b>424,400</b>	<b>432,800</b>
<b>Total Operating Income</b>	<b>634,744</b>	<b>667,460</b>	<b>360,570</b>	<b>414,440</b>	<b>422,809</b>	<b>431,177</b>
Freeport Operating costs		(269,583)	(329,970)	(414,440)	(422,809)	(431,177)
Non-repeating (one-off) costs		(397,877)	(30,600)			
<b>Total Operating Expenditure</b>		<b>(667,460)</b>	<b>(360,570)</b>	<b>(414,440)</b>	<b>(422,809)</b>	<b>(431,177)</b>
<b>Operating Profit / (Loss)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Appendix 8a to EES/22/3: Langage



The site plan illustrates the proposed development at Unit 9, Logistics Hub. The main building footprint is shown in grey, surrounded by green landscaping. A loading area is designated near the building. The site is bounded by a red line indicating the Customs Site Boundary and a blue line for the Tax Site Boundary. Surrounding features include a road network, existing buildings, and a water feature labeled 'Spring'. A north arrow is located in the top right corner.

**Schedule of Accommodation G16**

Use Class B8  
Unit 9 (Logistics Hub) 32980m<sup>2</sup>

**Key:**

- [Red Outline] Customs Site Boundary
- [Blue Outline] Tax Site Boundary

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

<b>PROJECT TITLE</b>	
Plymouth & South Devon Freeport	
<b>PROPOSED OVERFORD SITE PLAN</b>	
21086PF - LHC - SS - DR - AR - P106	
<b>REVISION</b>	<b>DATE</b>
B2	31/08/21
C	31/08/21
<b>DRAWN BY</b>	<b>CHECKED BY</b>
J. HUGHES	M. JONES
<b>SCALE</b>	<b>DATE</b>
1:125 @ A1	21/08/21

**ihc design**



Appendix 8c to EEs/22/3: South Yard

