

COUNCIL

29 MARCH 2022

REFERENCE FROM THE CABINET

A.2 FREEPORT EAST FULL BUSINESS CASE

(Report prepared by Lee Heley, Interim Corporate Director (Project Delivery))

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To update Council on the submission of the Freeport East Full Business Case as set out in the attached Cabinet report, including the Council's participation in the governance of Freeport and the approach to business rate retention. To recommend that Council agree that Freeport East be included within the Council's Budget and Policy Framework, and included as part of the Corporate Plan 2020-24, previously adopted by Full Council.

EXECUTIVE SUMMARY

East Suffolk Council as the Lead Authority, alongside Freeport East, is required to submit a Full Business Case (FBC) to Government for Freeport East on behalf of partners by 15 April 2022. This Business Case will continue to be developed up to that point in consultation with local authority partners and land owners within Freeport East. Freeport East Shadow Board – of which the Council is a member - is due to consider the Full Business Case at its meeting on 6 April 2022.

Freeport East is based around the Port of Felixstowe and Harwich International Port, and includes the Gateway 14 Site in Stowmarket, Suffolk. It comprises 275 hectares of space and facilities across three sites eligible for tax relief ("Tax Sites") at Felixstowe dock, Bathside Bay in Harwich, and Gateway 14. The Harwich Tax Site is intended to be developed as a Clean Energy Hub and create 1,900 jobs.

The Freeport model includes business rate retention. To accompany the Final Business Case all partners have been asked to support the high-level arrangements for business rates retention, under which the retained business rate monies will be divided into three pots: **Pot A** is the existing rates funding calculated on the same basis as would currently apply to the distribution of rates - so authorities are not disadvantaged by taking part in the freeports programme. **Pot B** provides funding from retained business rates to support or accelerate development of a Tax Site, if it is required. **Pot C** provides a fund for economic development within the sub-region, aligned to achieving the wider Freeport Policy objectives including investment in skills, innovation, levelling up, trade, investment, infrastructure, security and net zero carbon.

Previous financial modelling within the Outline Business Case for the Harwich tax site, Bathside Bay, indicated it would generate insufficient rates income to cover the capital investment required in the site, in addition to private investment. So the full development of the site was not viable. However, retained rates modelling has been revised for the Full Business Case, based on live enquiries and industry demand. This modelling indicates there will be sufficient funding from retained rates to make development of the full Harwich tax site at Bathside Bay viable with income in the region of £125m over 25 years.

The Full Business Case will make clear that local authorities including Tendring District

Council would not be asked to provide any direct funding or take on any financial or borrowing risk for the development of the Bathside Bay tax site.

The revenue costs of the Freeport East Delivery Team are being met from the £1m Government capacity funding until they can be supported by income from a top-slice of retained rates. However, around £400,000 a year from 2022/23 will also be required over and above Government funding for revenue projects to meet the Freeport East policy objectives, primarily skills, innovation, and net zero. These revenue projects will be proposed and agreed by the Freeport East supervisory board once the Freeport East entity is formed. This funding is to be undertaken on a one-fifth share for each of the five authorities, equating to **£160,000** in total each, £80,000 in the financial years 2022-23 and 2023-24. In the Financial Year 2024/2025 projected rates income would mean there would be no need for further forward funding for that year, with rates income increasing to the point where it is expected that forward funding would be repaid by 2026-27.

Recruitment to the position of Freeport East Chair and Chief Executive is currently underway. These roles will be paid for by the initial government funding to set up Freeport East, and in the longer term by retained rates flowing from the Freeport sites.

The current version of the Full Business Case does not specify a Company Limited by Guarantee as the governance model and refers to an 'entity'. A governance options appraisal is under discussion by partners at a special Shadow Board meeting on 21 March. However, the options analysis by Freeport East currently recommends a Company Limited by Guarantee, in line with the Outline Business Case. It remains Tendring District Council's position that form (i.e. the entity) follows function, and further consideration of the powers and the functions of the entity should be considered, hopefully the meeting on the 21 March will explore this detail.

The Full Business Case will include a Skills Plan, currently in draft. This is expected to include innovation hubs at Bathside Bay focused on clean energy and at Gateway 14, more widely scoped. A focus for the skills work will be retraining people made redundant through the pandemic to work at tax and customs sites, and also careers aspirations for children in schools.

A copy of the published Leader of the Council's report to the Cabinet meeting on 25 March 2022 on Freeport East is attached as an appendix to this report. **Members will be made aware of Cabinet's formal decision taken on 25 March 2022 in advance of the Council meeting.**

RECOMMENDATIONS

It is recommended that:

- a) **Council supports and endorses the decisions made at Cabinet on 25 March 2022 on the Leader of the Council's Freeport East Full Business Case Report; and**
- b) **confirms that Freeport East be included within the Council's Budget and Policy Framework, and included as part of the Corporate Plan 2020-24, previously adopted by Full Council.**

BACKGROUND PAPERS FOR THE DECISION

Published Decision of the meeting of the Cabinet held on 25 March 2022.

APPENDICES

Published Report of the Leader of the Council for the meeting of the Cabinet held on 25 March 2022.