



FULL COUNCIL

Wednesday, 25 January 2023

Subject	Freeport East Capital Seed Funding
Report by	Councillor Craig Rivett Deputy Leader and Cabinet Member with responsibility for Economic Development Councillor Maurice Cook Cabinet Member with responsibility for Resources
Supporting Officers	Paul Wood Head of Economic Development & Regeneration Paul.wood@eastsuffolk.gov.uk Brian Mew Chief Finance Officer Brian.mew@eastsuffolk.gov.uk

Is the report Open or Exempt?	OPEN
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Wards Affected:	Eastern Felixstowe Western Felixstowe Woodbridge Kesgrave Martlesham and Purdis Farm Rushmere St Andrew Deben Melton Carlford and Flynn Valley Wickham Market Rendlesham and Orford Framlingham Orwell and Villages
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Purpose and high-level overview

Purpose of Report:

To seek approval from Full Council to the proposed management and operation of the Freeport East Capital Seed Fund, which sets out how £25m of central Government Freeport capital funding will be managed and allocated. ESC, as Accountable Body, for Freeport East is required to establish a process for the management of these funds which demonstrates good governance and ensures they are allocated as detailed within the Full Business Case and Memorandum of Understanding (MoU).

The Capital Seed Fund allocation will support Freeport East's development through major investment in the three tax sites to maximise inward investment and create confidence in Freeport East as a commercial proposition. Maximising the business investment potential through the use of the Capital Seed Fund will support the delivery of the wider Freeport East objectives as set out within the Full Business Case and Memorandum of Understanding (MoU) through the generation retained business rates.

Options:

Any other option aside from adopting a clear and robust process to manage the Capital Seed Fund would be contrary to the MoU ESC has signed committing the Council as billing authority and Accountable Body to deliver Freeport East objectives.

Recommendation/s:

That the Freeport East Capital Seed Funding Management process attached as Appendix A be approved in line with the Council's role as the Freeport Accountable Body.

Corporate Impact Assessment

Governance:

Proposals for the expenditure of the Capital Seed Fund will initially be jointly assessed by Freeport East and ESC in its role as Accountable Body. Recommendations on the award of funding will then be reviewed by the Freeport East Management Committee and subsequently the Supervisory Board subject to any future delegations. ESC is represented on both of these governance groups and will be required to provide final approval in its Accountable Body role. Monitoring and compliance through the delivery of capital seed funded projects will be undertaken by Freeport East and ESC.

ESC policies and strategies that directly apply to the proposal:

East Suffolk Strategic Plan

East Suffolk Economic Growth Plan

Environmental:

The positive environmental impacts of Freeport East have previously been documented. There are no specific impacts from this report.

Equalities and Diversity:

An Equalities Impact Assessment has previously been undertaken for Freeport East. There are no specific impacts from this report.

Financial:

As Accountable Body, ESC is required to produce and ensure good governance of the Capital Seed Fund management and awarding process. It will hold the £25m capital seed pot and allocate based on the governance model described in the Governance Impact section.

ESC's Section 151 Officer will be accountable for approving all seed capital awards and ensuring that they are in accordance with the requirements of the Memorandum of Understanding and the Freeport East Business Case.

Human Resources:

There are no HR implications to this report.

ICT:

There are no ICT Implications to this report.

Legal:

Providing good governance of the Capital Seed Fund is a requirement of the MoU signed by ESC with DLUHC and Freeport East partners. The Subsidy Control Act provides the framework for a new, UK-wide subsidy control regime from 4 January 2023, and as the accountable body, the Council will administer seed capital funding in accordance with the Statutory Guidance and associated documents issued by the Government.

Risk:

Any risk to the good governance of the Capital Seed Fund by ESC has been attempted to be mitigated by the process set out within the Capital Seed Fund Management document – see Appendix A.

External Consultees:

Consultation has taken place with all Freeport East partner organisations.

Strategic Plan Priorities

Select the priorities of the Strategic Plan which are supported by this proposal: (Select only one primary and as many secondary as appropriate)		Primary priority	Secondary priorities
T01	Growing our Economy		
P01	Build the right environment for East Suffolk	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P02	Attract and stimulate inward investment	<input checked="" type="checkbox"/>	<input type="checkbox"/>
P03	Maximise and grow the unique selling points of East Suffolk	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P04	Business partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P05	Support and deliver infrastructure	<input type="checkbox"/>	<input checked="" type="checkbox"/>
T02	Enabling our Communities		
P06	Community Partnerships	<input type="checkbox"/>	<input type="checkbox"/>

P07	Taking positive action on what matters most	<input type="checkbox"/>	<input type="checkbox"/>
P08	Maximising health, well-being and safety in our District	<input type="checkbox"/>	<input type="checkbox"/>
P09	Community Pride	<input type="checkbox"/>	<input type="checkbox"/>
T03	Maintaining Financial Sustainability		
P10	Organisational design and streamlining services	<input type="checkbox"/>	<input type="checkbox"/>
P11	Making best use of and investing in our assets	<input type="checkbox"/>	<input type="checkbox"/>
P12	Being commercially astute	<input type="checkbox"/>	<input type="checkbox"/>
P13	Optimising our financial investments and grant opportunities	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P14	Review service delivery with partners	<input type="checkbox"/>	<input type="checkbox"/>
T04	Delivering Digital Transformation		
P15	Digital by default	<input type="checkbox"/>	<input type="checkbox"/>
P16	Lean and efficient streamlined services	<input type="checkbox"/>	<input type="checkbox"/>
P17	Effective use of data	<input type="checkbox"/>	<input type="checkbox"/>
P18	Skills and training	<input type="checkbox"/>	<input type="checkbox"/>
P19	District-wide digital infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
T05	Caring for our Environment		
P20	Lead by example	<input type="checkbox"/>	<input type="checkbox"/>
P21	Minimise waste, reuse materials, increase recycling	<input type="checkbox"/>	<input type="checkbox"/>
P22	Renewable energy	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P23	Protection, education and influence	<input type="checkbox"/>	<input type="checkbox"/>
XXX	Governance		
XXX	How ESC governs itself as an authority	<input type="checkbox"/>	<input type="checkbox"/>

How does this proposal support the priorities selected?

Growing our Economy

Build the right environment for East Suffolk: Freeport East has led to the creation of the Felixstowe Tax Site and approval of the MoU will release capital seed funding part of which will be used to invest in this site to support significant business investment.

Attract and stimulate inward investment: the overarching aim of the Freeports initiative is to attract inward business investment to support the delivery of Freeport objectives i.e. Levelling Up, Innovation and Net Zero.

Maximise and grow the USPs of East Suffolk: As the country's busiest container port, the Port of Felixstowe is already a major economic USP for the District. The creation of the Freeport and subsequent investment in the Felixstowe Tax Site further embeds its importance and as part of the massively important sub-regional logistics sector which exists in the wider Freeport East zone.

Support and deliver infrastructure: The creation of the Freeport is leading to the creation of new business infrastructure in the form of the three Tax Sites and Customs Sites. The approval of the FBC supports further investment in these sites and will support the delivery of retained business rates over 25 years which will in part be reinvested in infrastructure to support the sub-regional economy.

Maintaining Financial Sustainability

Optimising our financial investments and grant opportunities: The creation of a Freeport will allow ESC to retain business rates, for a period of 25 years, from businesses who locate on the Port of Felixstowe Freeport tax site. A portion of this income will be for ESC

to use in whichever way it wishes with the remainder pooled with retained rates from the other tax sites for further development of these investment zones and the delivery of Freeport East objectives across the whole Freeport zone. Furthermore, the Freeport will allow access to a variety of external funding sources to support the objectives of Freeport East, which will support further sustainable economic growth within the District.

Caring for our environment

Renewable Energy: A key Freeport East project is the Green Energy Hub which will focus on the generation and use of clean energy. As part of the hub an electrolyser will be established at the Port of Felixstowe to produce green hydrogen to decarbonise port activities. A further objective of the hub is to establish an offshore wind facility at Bathside Bay to provide laydown space and facilities to service nearby offshore wind farms.

Background and Justification for Recommendation

1 Background facts	
1.1	As part of their flagship Freeport policy, government has committed to allocating Freeport East a total of £25m seed capital funding, following the approval of the Full Business Case and MoU. This funding is for investment in the three Freeport East tax sites and allocations, subject to due diligence and a robust governance process, have been made which will help support the maximisation of inward investment in these sites in line with Freeport East policy objectives i.e. enhancing trade & investment, creating hotbeds of innovation and levelling up.
1.2	To award funding from the Capital Seed Fund the Council, as Accountable Body, is required to establish a mechanism to allocate and manage grants based on the Tax Site allocations set out in the Full Business case and subsequently the MoU.

2 Current position	
2.1	The Capital Seed Fund will be spent directly within the three designated Tax Sites to enable the Freeport to accelerate and de-risk significant infrastructure development which will maximise potential inward investment, creating confidence in Freeport East as a commercial proposition and creating the conditions for private sector partners to invest. Additionally, the seed capital funding also supports the freeport in kickstarting a comprehensive upskilling and employment programme for the local area.
2.2	The seed capital fund will be spent over a three-year period and is allocated as follows: <ul style="list-style-type: none">• Felixstowe Tax Site £12m• Gateway 14 Tax Site £6m• Harwich Tax Site (Bathside Bay) £7m

2.3	<p>For the Felixstowe site estimated spend is split between 2023/24 (£8.46m) and 2024/25 (£3.54m) and will support four main areas of infrastructure investment:</p> <ul style="list-style-type: none"> • HV site power to support de-carbonisation in the Supply Chain • Managing flood risk through design • Contaminated land remediation • Site enabling works <p>Details of Capital Seed Fund spend in the other tax sites is contained within the management document at Appendix A.</p>
2.4	<p>A grant funding process has been designed for the allocation of funds. Each project will require a full business case to be presented, evidencing compliance with all the relevant policies and to explain how the project will provide value for money. Each business case will be appraised against a set of criteria set out within the process policy.</p>

3 How to address current situation

3.1	<p>The Seed Capital Fund management and allocation process provides a mechanism to invest this funding in line with the objectives of Freeport East. In its role as Accountable Body, ESC is required to ensure good governance of these funds as prescribed within the MoU to which the Council is a signatory.</p>
3.2	<p>All projects applying for a capital seed fund award will be required to develop a business case to evidence their compliance with all relevant policies and explain how the project will provide Value for Money. These business cases will be jointly assessed by Freeport East and ESC to determine strategic fit with the vision of the tax site and Freeport East overall objectives, as well as deliverability of each project. Projects will then be taken through a Green Book Appraisal process, proportionate to the scale of funding involved and led by Freeport East. Areas assessed include strategic fit, value for money, deliverability, affordability, additionality and need.</p>
3.3	<p>Recommendations for seed capital awards are then reviewed by the Management Committee and Supervisory Board, subject to delegations. Subsidy control will be an important consideration during this process as significant levels of funding are being awarded to commercial organisations. As such the respective billing authorities as well as ESC in its Accountable Body role needs to ensure that all recipients of subsidy applied for and received are within their legal limits as a UK organisation.</p>
3.4	<p>Following an award Freeport East and ESC will ensure robust monitoring and compliance throughout the delivery phase to provide confidence that expenditure is being properly used to deliver the outcomes set out within the initial application.</p>

4 Reason/s for recommendation	
4.1	To access the Freeport Capital Seed Fund, government needs to be reassured that the Council, as Accountable Body, has a robust grant management process in place. This is a requirement of the MoU to which ESC is a signatory and to adopt and implement this process, Full Council approval is required due to the scale of funding (£25m) involved. Furthermore, ESC is a founding member of Freeport East and is keen to ensure the economic benefits of tax site investment are realised both for own district but the wider Freeport area – this funding will accelerate and maximise such positive economic outcomes.

Appendices

Appendices:	
Appendix A	Freeport East Capital Seed Fund Management

Background reference papers:		
Date	Type	Available From
November 2022	Freeport East Full Business Case	Freeport East FBC v0.13.docx