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## Freeport East Capital Seed Fund Management

### Background

Freeport East is comprised of 3 Tax Sites, each of which have a very different development model and ambition, but which are complementary in nature and collectively support the delivery of the Government's ambitious Freeport policy and Levelling Up agenda.

Our multi-site development is aimed at attracting new industry to the local area to create significant numbers of new, highly skilled jobs. It is transformational in nature, targeting new industry sectors (offshore wind, both fixed and floating, hydrogen production as well as encouraging and facilitating investment in established sectors including innovation, manufacturing, decarbonisation, advanced logistics and industrial uses) which do not yet have a presence in the UK, nor necessarily an established business model, in order to support the delivery of the Levelling Up Agenda alongside the Government's 10-Point Plan for a Green Industrial Revolution, Hydrogen and Net Zero Strategies and the British Energy Security Strategy.

Government has committed to allocating Freeport East a total of £25 million seed capital funding upon approval of its Full Business Case.

The seed capital allocation will enable the freeport to accelerate and de-risk important preparatory activities, 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.

### Seed Capital Allocation

The Freeport East Seed Capital funding will be spent directly within the three designated Tax Sites to accelerate development over a three-year period, increasing the amount of time Freeport interventions can be accessed by incoming investors and to increase the amount of retained rates to unlock wider investment and provide funding to achieve wider freeport objectives.

In accordance with the Full Business Case, submitted to the Department for Levelling Up, Housing and Communities (DLUHC) and the signed Memorandum of Understanding (MoU), the proposed allocation of seed capital funds is as follows:

<b>Tax Site</b>	<b>Allocation</b>
Felixstowe	£12m
Gateway 14	£6m
Harwich / Bathside Bay	£7m

Any changes to this proposed allocation between sites would need to be separately approved by the Governing Body and in accordance with the MoU.

The **£12m Seed Capital allocation for Felixstowe** will look to support four main areas that are core infrastructure barriers to bringing forward the site:

- HV Site Power to Support De-Carbonisation in the Supply Chain
- Managing Flood Risk through Design
- Contaminated Land Remediation
- Site Enabling Works

The **£6m Seed funding allocation for Gateway 14** will specifically be used to support the delivery of two programmes that are not commercially viable to deliver without public intervention:

- Investment in a battery storage facility on site which will help address the challenges around connections to the grid and high energy costs for businesses and deliver on our net zero ambitions. We are expecting to deliver this to coincide with the first occupation of the site in 2023.
- Fast-track delivery of the Innovation and Skills centre allowing tenants of the site to access the Freeport benefits prior to the cut-off point in 2026 as well as accelerating the generation of business rates and job creation in this high value cluster.

The **£7m Seed Capital allocation for Harwich** will specifically be used to support the following projects that seek to add value and support freeport policy objectives

- The installation of, and groundworks for, a new high-voltage power cable capable of supporting the planned usage of Bathside Bay as a Green Energy Hub
- The construction of new green access networks (to include new walking and cycling paths) to enable improved access to the port from the local area and a reduction in car usage for local traffic
- Environmental mitigations required as part of implementing the planning consents which must be in place prior to the port's operation

### **Annual Seed Capital Expenditure**

The following table sets out estimated annual seed capital expenditure across the three Tax Sites, assuming the Full Business Case is approved in December 2022:

<b>Expenditure</b>	<b>FY 2022/23</b>	<b>FY 2023/24</b>	<b>FY 2024/25</b>	<b>FY 2025/26</b>	<b>Total</b>
Harwich	-	£5,600,000	£1,400,000		£7,000,000
Felixstowe	-	£8,460,000	£3,540,000		£12,000,000
Gateway 14	£250,000	£5,750,000			£6,000,000

### **Grant Funding Process**

All projects 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 subject to the following assessment and appraisal:

- An initial assessment is undertaken jointly by Freeport East and East Suffolk Council (as the Accountable Body) to determine strategic fit with the vision of the tax site and Freeport East overall objectives, as well as deliverability of each project. Projects that do not meet the eligibility criteria do not proceed beyond this stage.
- Projects are then 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.
- Recommendations of seed capital awards are reviewed by the Management Committee and the Supervisory Board, subject to any future delegations.
- Successful projects receive a funding award letter outlining specific conditions of the grant.
- Unsuccessful projects are provided with feedback on why their proposal was not awarded funding.
- Local Authorities will ensure that all recipients of subsidy are made aware of their legal obligation to check that all subsidy applied for and received is within their legal limits as a UK organisation.
- A pre-condition of the grant award will be that any recipient party must have proper procedures in place or adopt policies or procedures from either East Suffolk Council or Freeport East to ensure compliance with spend for any projects associated with the grant award. Appropriate provisions permitting Freeport to suspend, withhold or clawback funding will be included in grant funding agreements.
- The seed capital funding is administered by East Suffolk Council, as the Accountable Body.
- The [Subsidy Control Act](#) provides the framework for a new, UK-wide subsidy control regime from 4 January 2023. The new UK subsidy control regime will enable public authorities, including devolved administrations and local authorities, to:
  - deliver subsidies tailored to local needs
  - support government priorities such as driving economic growth
  - reach net zero
- East Suffolk Council will administer seed capital funding in accordance with the Statutory Guidance and associated documents issued by the Government, which are linked to below:

[Statutory Guidance for the United Kingdom Subsidy Control Regime \(publishing.service.gov.uk\)](#)

[Subsidy Control rules: quick guide to key requirements for public authorities - GOV.UK \(www.gov.uk\)](#)

[Subsidy control principles assessment template - GOV.UK \(www.gov.uk\)](#)

- Freeport East will ensure monitoring and compliance throughout delivery of the funded projects on behalf of East Suffolk Council and will act to resolve any conflicts between tax site owner plans and the grant award conditions to ensure all measures are being met.
- When an award is made, a Purchase Order and invoicing schedule is set up with the recipient and quarterly monitoring meetings are held with all projects to review funding, drawdown, delivery, outcomes and impact. These *quarterly meetings* are supported by a template, which is returned by each project in advance of the meeting and reviewed by Freeport East Head of Strategy, Policy & Delivery.
- Reports on monitoring and compliance will be provided on a quarterly basis to the Freeport East Management Committee.
- Data monitoring for all seed capital projects will be provided to Government on a six-monthly basis in line with requirements set for all Freeports.
- A project close-out template will be developed to capture lessons learned through delivery of the projects as/when funding / activity has been concluded.