

7 July 2021		ITEM: 21
		Decision: 110576
Cabinet		
Thames Freeport Outline Business Case (OBC) and Full Business Case (FBC) to government		
Wards and communities affected: All	Key Decision: Key	
Report of: Cllr Mark Coxshall, Cabinet Member for Regeneration, Strategic Planning and External Relationships		
Accountable Assistant Director: Gerard McCleave, Assistant Director for Economic Growth & Partnerships		
Accountable Director: Karen Wheeler, Director of Strategy, Engagement & Growth		
This report is Public		

Executive Summary

The Thames Freeport submission bid, previously endorsed by Cabinet at its meeting on 13 January 2021, was successful and was confirmed by the Chancellor in his Budget 2021 (March). The announcement confirmed the Thames Freeport as one of only eight successful bids (out of a total of 18 submitted to government). There has been significant progress in moving forward to the next stage in the process towards formal designation and operation of the new Thames Freeport by the end of 2021.

The anticipated benefits from the Thames Freeport are significant and include over 25,000 new jobs with an additional 30,000 jobs indirectly through supply chains, significant investment in training and skills, targeted interventions to tackle deprivation and disadvantage in communities funded through retained business rates, over £4.5 billion in new public and private investment, improved trade and productivity for local businesses as well as contributing to many of the Council's policy objectives including around economic growth, regeneration, levelling up and net zero. Overall, it is anticipated that the Thames Freeport will contribute £5.1 billion to GVA.

The successful submission and approval of an outline business case (OBC) and full business case (FBC) by Government is required before a Freeport receives formal designation and can commence operations.

Thames Freeport is private sector led (Forth Ports, DP World and Ford). Thurrock Council is the Lead Authority for Thames Freeport. Lead Authority main

responsibilities include managing and being accountable for public money, participation in the Freeport governance arrangements, liaison with Government and public sector leadership. As Lead Authority for Thames Freeport, the Council has a principal role in ensuring the completion of the OBC and FBC and submission to Government.

Work on the OBC is moving forward at pace to meet the MHCLG submission date of 30 July 2021 in order to be one of the first fully operational Freeports this year. A delay in meeting this submission date could result in the Freeport not being operational in 2021 and the subsequent negative knock on to addressing the national public policy outcomes and net benefits to the private sector partner businesses.

Government will publish further guidance on the FBC by September. A formal date of submission for the FBC will be confirmed in this guidance however, a provisional first submission date of 8th October has been identified by MHCLG.

1. Recommendation(s)

That Cabinet:

- 1.1 Supports in principle the development and submission of the OBC (July 2021) and FBC (Autumn 2021) to Government.**
- 1.2 Endorses the continued engagement of officers with partners to develop the OBC and FBC and delegates authority to the Chief Executive, in consultation with the Leader, Deputy Leader and PFH for Regeneration, Strategy Planning and External Relationships as well as Director of Resources and Place Delivery, and Monitoring Officer, to sign-off and submit the final OBC and FBC to Government for approval.**
- 1.3 Delegate authority to the Chief Executive, in consultation with the Leader, Deputy Leader and PFH for Regeneration, Strategy Planning and External Relationships as well as Director of Resources and Place Delivery, and Monitoring Officer, to sign-off and to agree to the formal arrangements for the Council's role in the Freeport's governance structure and enter into appropriate agreements.**

2. Introduction and Background

- 2.1 In February 2021 Thames Freeport submitted its bid for Freeport status to Government. The bid was successful and announced by the Chancellor in Budget 2021 as one of eight successful bids across England.**

The next stage of the process – the set-up phase, involves the development and submission of an Outline Business Case (OBC) and Full Business Case (FBC) to Government for assurance and approval before formal Freeport designation and commencement of Thames Freeport operations.

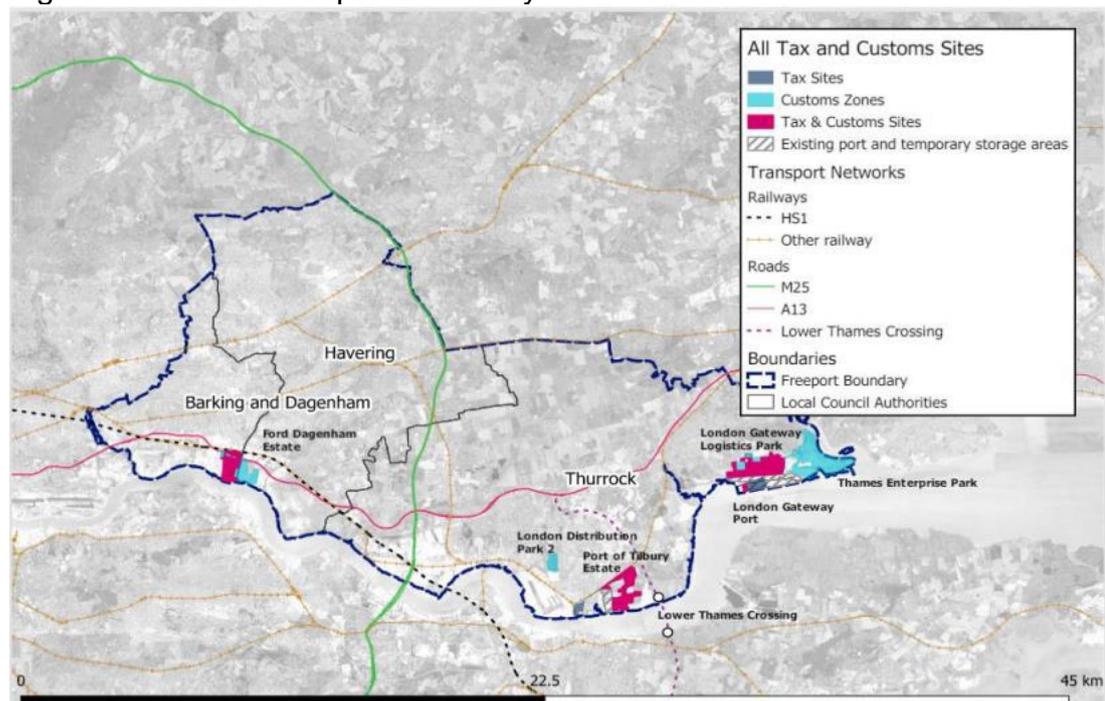
The Ministry of Housing, Communities and Local Government (MHCLG) has confirmed that OBCs are to be assessed in two windows – OBCs submitted on 30 July and OBCs submitted from 10 September.

An OBC submitted in the July window will facilitate an FBC process in early autumn and subject to quality assurance and approval by Government will allow a Freeport to commence operations by the end of this year. This is aligned with the tax site process planned by Government. Thames Freeport is aiming to submit a compliant OBC to Government by 30 July which demonstrates the ambition of the Thames Freeport partnership.

2.2 Thames Freeport Geography

The geography of the Thames Freeport outer boundary is shown in Figure 1 below. The boundary covers a 34 km wide economic corridor. The main or core tax and customs sites are located within the Thurrock Council area, the main sites being London Gateway, Port of Tilbury and Thames Enterprise Park. Included within the Freeport boundary are the London Borough of Barking and Dagenham and the London Borough of Havering, the location for Ford's Dagenham plant custom and tax site.

Figure 1: Thames Freeport Boundary



2.3 Thames Freeport Economic Benefits

The Thames Freeport bid identified a number of potential economic and other benefits from Freeport policy and investment. Headline points are outlined below. The potential benefits will be tested as part of the OBC economic and financial modelling and analysis:

- £5.1 billion additional GVA
- Over £4.5 billion in new public and private investment
- 25,000+ new jobs with many more across supply chains
- 1,700 acres of development land – much with planning consent
- £400 million port investment into some of the most deprived areas
- A skills accelerator and skills fund: multi-million pound investment to equip local workforce with the skills required to access Freeport jobs
- Innovation Hub: to support collaboration, R&D and positive spill-overs across advanced manufacturing, advanced logistics and clean energy
- Retained business rates gives Thurrock Council opportunity to invest £300m in projects to accelerate levelling-up outcomes:
 - Active Travel – between existing and new communities
 - Community Investment – health, wellbeing and cultural improvements, as well as education and skills investment to ensure local residents have access to new high-quality jobs
 - Multi-modal Travel – improvements to rail and river infrastructure (supporting net-zero)
 - Infrastructure to Unlock Growth – new roads and upgrades to existing network
 - Digital and Green – expansion of high speed internet and enabling the hydrogen opportunity

3. The Outline Business Case and Full Business Case

Outline Business Case (OBC)

3.1 The OBC process for Thames Freeport is underway. The OBC is being developed in line with HM Treasury's 5 case model and 'The Green Book' and additional guidance issued by MHCLG. Specifically, HM Treasury's Better Business Cases: for better outcomes and the 'Green Book'. The main component parts of the OBC are:

- **The Strategic Case** – rationale for the project, vision, case for change, proposed activity, outputs and outcomes, contribution to wider policy and strategy
- **The Economic Case** – econometric modelling, social cost-benefit analysis, options analysis, additionality and displacement analysis, value for money assessment, risk appraisal, wider impacts – environmental, equality, viability, social etc.
- **The Financial Case** – analysis of all associated costs (infrastructure, skills, governance, communications, security, innovation etc.), affordability, year-by-year financial profile / modelling, scenario planning, capital and revenue requirements for all elements of the Thames Freeport, financial risk assessment
- **The Commercial Case** – longer-term tax site management: policy delivery, attracting investment, additional economic activity, management

and reinvestment of business rates, distribution of seed capital, governance arrangements

- **The Management Case** – long-term governance arrangements and structure (memberships, powers, delegations, accountabilities and responsibilities etc.), delivery team structure, stakeholder management and engagement, shared learning and building expertise, risk management, arrangements for dealing with security and illicit activity, key milestones

3.2 An important part of developing the OBC will be the assessment of additionality, i.e. the amount of new growth and economic benefit to address deprivation rather than any displaced growth. Additionally and critically, the extent to which Freeport policy and investment promotes regeneration and job creation, particularly in areas that need it most. In following the five case model, the outline business case will demonstrate the economic and social value of the Thames Freeport and include a robust analysis on additionality and assessment of displacement. Alongside the assessment of the risks of displacement of economic activity, the OBC will identify mitigation strategies and actions which can be taken to maximise the additional economic and social benefits of the Freeport activity, particularly in helping transform those areas most in need of levelling up.

3.3 Given the multi-faceted nature of developing the OBC and FBC for Thames Freeport, the activity has been divided into 5 interconnected work streams:

- Place Shaping / Levelling Up
- Engagement Network
- OBC/FBC drafting
- Trade, Customs and Tax Sites
- Transition, Implementation and Operation

The work streams are led by a senior officer or private sector counterpart and report to the Interim Governing Board on progress during this set-up phase of Thames Freeport.

3.4 The broad timeline for OBC completion and approval to move to FBC is:

Task	Target Completion Date
OBC development	June and July 2021
OBC submission to Government for Quality Assurance	30 July 2021
Government Quality Assurance / Assessment and Feedback / Clarifications	From 2nd August 2021 and expected to take around 6-8 weeks
OBC Approval by Government	September 2021
Commence FBC	September 2021

Full Business Case (FBC)

- 3.5 The FBC is largely firming-up, revising and updating the 5 case model of the OBC, taking account of Government feedback on the OBC as well as any new information or analysis. The FBC will be more focused on the detail and assessment of seed funding for Freeport infrastructure as well as finalising elements such as management arrangements, risk management plans, benefits realisation and monitoring and evaluation.
- 3.6 The initial Bidding Prospectus required a monitoring and evaluation plan, along with a commitment to annually review and submit to government the pace of development within the Freeport and associated impacts on the surrounding community. Further guidance from MHCLG on the process for monitoring and evaluation including the type of data and information required to be submitted to MHCLG at gateway points will be issued in due course.
- 3.7 As outlined in the previous Cabinet report (January 2021), while this is a truly transformational opportunity for the borough and beyond it is not without risks or capacity demands across a number of areas. For example, to complete the OBC and FBC during this set-up phase in line with Government guidance requires input and expertise from across the Council (finance, strategy, economic development, communities, legal, skills, place delivery, planning), our private sector partners and specialist external economic and financial modelling support. Vivid Economics and Amion Consulting have been appointed to support our work on the OBC and are funded from the Government's revenue support to freeports.

4. Reasons for Recommendation

- 4.1 The successful initial bid has allowed Thames Freeport to progress to the set-up phase – the development of governance proposals and the Outline Business Case. Securing business case approval from Government is a critical next step towards formal Freeport designation.
- 4.2 The approval of the OBC / FBC and the awarding of Freeport status is a decision for central government and not for the Council, therefore this report enables the support of the OBC process and endorses the continued efforts and engagement of officers to further align the OBC and FBC to local priorities, as expected by government, recognising that the Thames Freeport is Private Sector-led.
- 4.3 The timeframe for completion of the OBC and submission to Government on 30th July is very ambitious, but achievable. Meeting this deadline will require continued development and refinement of the OBC to the end of July. As Lead Local Authority for Thames Freeport, accountable for public monies and for ensuring the OBC is completed in line with guidance, delegated authority is sought for the Chief Executive in consultation with the Leader, Deputy Leader and PFH for Regeneration, Strategy Planning and External Relationships as well as Corporate Director of Resources and Place Delivery, and Monitoring Officer to sign-off the OBC and the submission to

Government, engage with MHCLG over the summer to refine the OBC where required and commence and submit the FBC thereafter.

- 4.4 This is an emerging policy area offering the potential for significant opportunities where details are still in development. However, there are a number of currently unquantifiable opportunities and risks which the Council could potentially face, as referred to in the implications below, details of which will be identified and mitigated where possible through the development and implementation of the policy over the course of this set-up phase and as Thames Freeport moves into the operational phase.

5. Consultation (including Overview and Scrutiny, if applicable)

- 5.1 Thames Freeport partners, Forth Ports, DP World, Ford, Thurrock Council, LB Barking and Dagenham and LB Havering have engaged with a wide range of stakeholder groups throughout the Freeport process including businesses and regional bodies such as SELEP, OSE, ASELA and the Thames Estuary Growth Board. This engagement is continuing and will intensify during the OBC and FBC processes including through the dedicated Thames Freeport engagement network led by Thurrock as well as representation on the MHCLG Freeports Forum. In particular, the connected work by ASELA on the growth agenda has been a key element of the bid which has demonstrated that the Thames Freeport has understood the wider geographical impact expected of the bid beyond the boundaries of the actual designated area.

6. Impact on corporate policies, priorities, performance and community impact

- 6.1 The vision for Thurrock is: **An ambitious and collaborative community which is proud of its heritage and excited by its diverse opportunities and future.**
- 6.2 The opportunity created by the Thames Freeport to further support the delivery of this vision and corporate priorities is significant. The government's policy objective to promote regeneration and job creation through the Freeport model is directly aligned to the Council's ambitions and place shaping agenda.
- 6.3 Under the corporate priority banner People, Place, Prosperity, the council is creating a place where people want to live and are proud of, and where businesses want to stay and thrive, and where investors and talent want to locate.
- 6.4 The successful delivery of the Thames Freeport has the ability to support a number of the Council's Place and Prosperity priorities:
- Attractive opportunities for businesses and investors to enhance the local economy
 - Vocational and academic education, skills and job opportunities for all

- Commercial, entrepreneurial and connected public services
- A borough ambitious for its future – clean environments, roads, housing and public spaces that connect people and places

6.5 The successful delivery of the Thames Freeport in Thurrock will also significantly contribute to achieving wider place agenda ambitions by bringing together physical, economic, social and environmental renewal to improve the well-being of communities, provide opportunities and help ensure places are fit for the future. This will be reflected in the Council's overall corporate strategy later in the year including communicating and promoting the economic strengths, successes and opportunities in Thurrock, a key part of delivering successful economic growth and aligned to the formal designation and commencement of Thames Freeport operational activity.

6.6 It also relates to the development of the Local Plan and the implementation of the Economic Development Strategy, Backing Thurrock. The Government's Freeport initiative is evolving and includes a wide range of policy levers which has been or is being factored into the development on those policies and priorities.

7. Implications

7.1 Financial

Implications verified by: **Jonathan Wilson**
Assistant Director, Finance

The development of a Freeport in the borough enables access to additional funding sources including grants and the retention of business rates relating to new business that locate within the Freeport Tax Sites. This funding can then be utilised to support the wider development of the Freeport area.

The Council continues to assess the potential funding streams to understand the proposed level of investment available to support the process. The OBC under the 'Financial Case' strand will assess all monetary costs and benefits associated with Thames Freeport including capital and revenue requirements. This will include an assessment of the financial risks associated with the capital programme and a sensitivity analysis of the projections of retained business rates. Whilst a headline of Freeports is the ability to retain 100% of new business rates within the designated areas, it cannot be assumed that this falls to the Council as additional income just to maintain services. Government require that this funding be largely used for additional activity such as infrastructure and environmental enhancements and other "levelling up" activity including investment in skills, as it relates to the Freeport objectives.

Subsequent investment decisions for which the Council will be responsible will be subject to a business case process and will follow the Council reporting and decision making processes.

7.2 Legal

Implications verified by: **Ian Hunt**
Assistant Director Law and Governance

There has been substantial development and understanding of the structures and frameworks governing the Freeport model. There remain however a number of areas where detailed government guidance and legislation are awaited. This creates some residual uncertainty and risk in relation to the delivery and implementation of proposals, however this can be mitigated through ongoing development of the programme and the active consideration of risk.

The detail of the full legal and governance structure remains under development and is subject to agreement with both partners and government. The governance arrangements will however be subject to both transparency and scrutiny adopting principles of transparency and the Nolan principles for standards of behaviours.

The submission of the OBC and FBC in themselves are not legally binding, however the commitments within these will become obligations which the Council will have to ensure delivery either directly or with partners as the Accountable Body.

The Council is being asked to be the accountable body for significant public funds from government, the use of which will be managed by partner organisations, the majority of which are private sector. Whilst risk can be mitigated through the use of appropriate contracts the ultimate risk will remain with the Council if deliverables are not met. There is scope for the Council to have to repay funds or ensure delivery of projects with the resultant implications. This type of arrangement exists in a number of settings, and can be managed effectively.

The Council has the necessary general statutory powers to engage in these arrangements at this point. However it must be recognised that in doing so it is not making determinations under specific statutory frameworks particularly around matters such as planning policy where future decision making will be necessary. It is clear that to deliver some of the prospectuses elements there will need to be regulatory change and we will need to monitor the ongoing process to ensure that the Council remains within its powers.

7.3 Diversity and Equality

Implications verified by: **Rebecca Lee**
Team Manager - Community Development and Equalities

As part of the OBC process, specifically within the Economic Case, the business case is required to set out the wider impact of short-listed options including equality impact considerations.

The equality impact will be assessed in line with Council's Community Equality Impact Assessment process with a focus on both the construction (initial) and fully operational phases and consider the extent to which Thames Freeport can positively impact on reducing inequalities overall, not least employment, income and health and well-being.

Aligning the equality impact of Thames Freeport to the Council's Community Equality Impact Assessment process will support the Council in meeting our duties under the:

- Equality Act 2010
- Public Sector Equality Duty
- The Best Value Guidance
- The Public Service (Social Value) 2012 Act

7.4 Other implications (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

Freeport policy is also a significant part of the government's goal of net-zero carbon emissions, and will be used to develop new technologies and advanced manufacturing to bring forward decarbonisation.

8. Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

Cabinet Report – 13 January 2021

<https://democracy.thurrock.gov.uk/documents/s29328/Thames%20Freeport%20Bid%20to%20Government.pdf>

9. Appendices to the report

None.

Report Author:

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