

Celtic Freeport Public Funds Committee

Appendix 1 and 2 - Not for publication pursuant to Regulation 5(2) & (5) of Statutory Instrument 2001 No. 2290 and Paragraph 14 of Part 4 of Schedule 12A to the Local Government Act 1972. Pursuant also to Paragraph 21 of the Schedule, and in all the circumstances of the case, the public interest in maintaining the exemption is considered to outweigh the public interest in disclosing the information.

**Joint Report of the Chief Executive of Neath Port Talbot Council
and the Chief Executive of Pembrokeshire County Council**

26th September 2024

Matter for decision

Full Business Case – Seed Capital Proposals

Purpose of Report

To seek approval for the list of seed capital proposals to be included in the Full Business Case for the Celtic Freeport.

Background

A key principle of the Freeport programme is that decisions will be made via a process and structure that preserves both the public-private 'dual key' approach, ensuring democratic accountability for the expenditure of public funds. Investments will be identified via:

- (a) an external call for proposals; and
- (b) the generation by the local authorities and the Celtic Freeport Company of their own proposals.

The purpose of (b) is to ensure that consideration is given to schemes that:

- enable the achievement of fair and equitable balance in the investment profile;

- could contribute to the Freeport's objectives but have not necessarily been identified by external parties; and/or
- are designed to address funding gaps or 'gear-in' opportunities for further funding from other sources such as, but not limited to, Government grant programmes.

Celtic Freeport company will then make recommendations to a Joint Committee established by Neath Port Talbot County Borough Council and Pembrokeshire County Council.

The role of the Joint Committee is to ensure proper democratic accountability for the allocation of public funds, including ensuring compliance with Subsidy Control regulations and value for money. The Joint Committee is able to either approve or reject proposals from the Celtic Freeport company, but not amend them. Funds will only be released if authorised by the Joint Committee. The Joint Committee therefore provides the decision-making process for determining the schemes that the capacity funding, retained non domestic rates, seed capital funding and any additional funds made available to the Celtic Freeport should be reinvested into.

Both councils considered detailed proposals for the establishment of the Joint Committee and associated Joint Scrutiny Committee earlier this year and approved terms of reference and membership thereto (included with agenda for noting).

This report requires consideration of the proposed seed capital projects to be included in the Full Business Case due to be submitted to both the UK and Welsh governments in Autumn 2024.

Executive Summary

The Outline Business Case was submitted to the two governments on the 22nd December 2022. It was expected that a decision to approve the Outline Business Case would have been approved by now, however, the snap General Election held July 2024 has disrupted the timetable.

The two governments had initially advised that a decision on the Outline Business Case would come forward early autumn 2024, however, we have recently been asked to accelerate submission of the Full Business Case by early October 2024. This means submitting the Full Business Case before a decision on the Outline Business Case has been announced.

Members of both councils will receive the draft Full Business Case over the coming weeks for review and decision. However, the Full Business Case requires a schedule detailing how the seed capital of £25 million would be allocated, which would be released following approval of the Full Business Case.

Approval of the use of public funds is vested in the Joint Committee not the individual cabinets. Therefore, this report sets out the proposed use of seed capital for the consideration of the Joint Committee and seeks a decision on the list of projects to be included in the Full Business Case.

Project proposals have been sought from all landowners identified in the first two tax sites that we have put forward in the Outline Business Case. Each project has been subject of appraisal by KPMG who are appointed as consultants to the Celtic Freeport. The projects and the KPMG analysis have subsequently been reviewed by the independent Chair of the Celtic Freeport Mr Roger Maggs and the Chief Executive of Celtic Freeport Company, Ms Luciana Ciubotariu, supported by a panel of independent industrialists. This process has supported the Celtic Freeport company board who are now making clear recommendations to the Joint Committee concerning the selection of projects for inclusion in the Full Business Case (Appendix 1).

Appendix 1 lists the projects which are recommended to the Joint Committee by the company for inclusion in the Full Business Case. The recommendations have been assessed by officers of both councils and are considered to be an appropriate list of projects to include in the Full Business Case. Appendix 1 also includes a list of those other projects that have been received by the company which are not recommended for inclusion in the Full Business case. Members are advised that as the projects are further developed, there is a change control mechanism available to amend priorities should that be considered necessary.

Seed Capital Proposals

Neath Port Talbot County Borough Council and Pembrokeshire County Council have worked alongside Milford Haven Port Authority (MHPA) and Associated British Ports (ABP), to develop a single Freeport bid that builds on collaboration through, for example, the Swansea Bay City Deal and the South-West Wales Corporate Joint Committee, and best harnesses the clear synergies and collaboration between the two ports,

most notably in working together to deliver the significant opportunity of floating offshore wind in the Celtic Sea.

The Freeport represents a strategy to catalyse investment and development around the two ports, both of which are critical yet underutilised national assets. This development includes capital-intensive investments that are best placed to take advantage of the specific package of tax measures afforded by a Freeport, such as:

- the floating offshore wind (FLOW) manufacturing and lifecycle cluster that is central to ensuring UK content for the Government's decarbonisation and energy security strategies, and which can only happen here;
- other zero-carbon industries (e.g. hydrogen);
- advanced manufacturing; and
- new innovative technologies (e.g. sustainable aviation fuel).

Subject to the development and approval of the Full Business Case, the Freeport will receive up to £26 million of Government funding. This is on top of a range of measures, including locally retained business rates, to upgrade local infrastructure and stimulate regeneration.

Businesses locating in the Freeport will be able to take advantage of generous tax reliefs and a simplified customs procedure, as well as a package of trade and innovation support. Freeport benefits, including the seed capital of £25million and the £1 million revenue contribution to the business case development will only be unlocked by presenting investment proposals to governments in line with HM Treasury Green book. Some benefits are unlocked at the Outline Business Case and the remainder at the Full Business Case stage.

The promoters of potential schemes were asked to develop a short-form business case which includes all the information needed to enable evaluation at the point of Full Business Case submission. Project promoters were asked to demonstrate:

- any potential impact on people of protected characteristics, and if there are any, the associated mitigations;
- consistency with the requirements of the Well-being of Future Generations Act;

- the expected impact on carbon emissions and the contribution to the Freeport's objectives for supporting the transition to Net Zero; and
- how project promoters will comply with Fair Work practices.

The £25 million of dedicated Freeport capital seed funding from UK and Welsh Government should be used to enhance the pace of delivery across the Freeport, and to unlock further public and private sector investment. This will be mainly deployed across key sites for priorities that are primarily focused on transport access, land remediation and enablement, and other key infrastructure projects. It is also envisaged that some of the seed capital funding is used for skills, innovation, and low carbon projects, which address Freeport related opportunities and challenges.

Appendix 1 has been provided by the Celtic Freeport company. It should be noted that the inclusion of a seed capital project within the Full Business Case does not constitute a binding award of seed capital to the sponsor of that project, this will be dependent to further assessment including:

- An individual business case for that project, focusing on the benefits, dependencies and value for money;
- Compliance with the requirements of the Subsidy Control Act 2024, and any other relevant legal requirements; and
- The sponsor of the project entering into a Grant Agreement with the Accountable Body (Neath Port Talbot County Borough Council).

Should a project, or a sponsor of a project, be unable to fulfil the requirements set out above (and any other that the Celtic Freeport or the Accountable Body may establish as part of the implementation of its governance and oversight processes), the seed capital allocated to that project may be reallocated to another project in accordance with the change process established within the Memorandum of Understanding that will be developed once the Full Business Case has been approved between the Celtic Freeport company, and UK and Welsh Governments.

The Celtic Freeport company issued a call for seed capital projects to landowners in April 2024, with a submission deadline of May 2024. Given the delays in the development of the Full Business Case caused by the General Election on the 4th of July, landowners were given a short period in early August 2024 to propose any updates or revisions to

their seed capital proposals. The Celtic Freeport company received 14 projects with a total value of £55m.

Appendix 2 provides a summary of the proposals that, following assessment by officers, are recommended to the Joint Committee for inclusion in the FBC. Further appraisal of the schemes will be undertaken as projects are further developed. Members are asked to note that should it be necessary to amend seed capital allocations, a change control mechanism will be available to achieve that.

Integrated Impact Assessment

The work of the Joint Committee is subject to the Equality Act (Public Sector Equality Duty and the socio-economic duty), the Well-being of Future Generations (Wales) Act 2015 and the Welsh Language (Wales) Measure, and must in the exercise of their functions, have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Acts;
- Advance equality of opportunity between people who share a protected characteristic and those who do not;
- Reduce the inequalities of outcomes result from social-economic disadvantage;
- Foster good relations between people who share a protected characteristic and those who do not;
- Deliver better outcomes for those people who experience socio-economic disadvantage;
- Consider opportunities for people to use the Welsh language
- Treat the Welsh language no less favourably than English; and
- Ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.

The Well-being of Future Generations (Wales) Act 2015 mandates that public bodies in Wales must carry out sustainable development. Sustainable development means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the 'well-being goals'. Each project has been subject to an initial impact assessment which will be further developed as projects move into further phases of the programme.

Legal Impacts

There are a number of legal powers available to local authorities to facilitate the proposed collaboration and creation of a Joint Committee. These include Sections 101 and 102 of the Local Government Act 1972, the Local Government and Election (Wales) Act 2021, sections 19 and 20 of the Local Government Act 2000, section 9 of the Local Government Wales Measure 2009 and Local Authorities (Goods and Services) Act 1970. 12. These powers include the ability to delegate functions, the ability for two or more authorities to discharge any of their functions jointly, and where this occurs, to do so via a Joint Committee and the ability to supply administrative professional and technical services jointly.

The Accountable Body will conduct a subsidy control assessment in respect of each award, prior to a binding grant being made to any organisation. An award will only be made when the Accountable Body and Joint Committee are satisfied that it would be compliant with subsidy control requirements.

Consultation

There is no requirement for public consultation on these proposals.

Section 151 Officer Responsibility and Risk Management

The section 151 Officer is satisfied that the projects proposed for inclusion in the Full Business Case represents a suitable mix of projects that balances strategic fit, with deliverability within the government timescales (3 years), affordability and additionality.

As projects are further developed the section 151 Officer and Neath Port Talbot Council as Accountable Body will take further assurances to determine that projects should remain within the portfolio of projects eligible for seed capital. Seed capital funding will be transferred from the Neath Port Talbot Council as Accountable Body to the relevant project delivery bodies with responsibility for project delivery, once approved by the Joint Committee. Seed capital and funding from Non-Domestic Rates will be governed by Grant Agreements between Neath Port Talbot Council as Accountable Body and the organisation responsible for delivering the project.

Preliminary legal advice suggests that all of the projects proposed for inclusion will satisfy state subsidy control requirements. Further assurances will be obtained as projects as developed and prior to any release of funding.

Recommendation

It is recommended that the Joint Committee considers the reports at Appendix 1 and 2 and approves the list of projects set out in Appendix 2 for inclusion in the Full Business Case.

Reason for Proposed Decision

To identify a list of jointly agreed projects proposed as the priorities for seed capital allocation and which can be included in the Full Business Case.

Implementation of Decision

For immediate implementation.

Appendices

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Appendix 1 – Letter from Celtic Freeport Company Limited

Appendix 2 – Summary of Seed Capital Projects recommended for inclusion in the FBC

Background Papers

None

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