

**FREEPORT EAST LIMITED
SUPERVISORY BOARD**

Minutes of a meeting of the board of directors of FREEPORT EAST LIMITED (**Company**) held at The Orwell Hotel, Felixstowe on 28 November 2023 at 14:00pm.

PRESENT:	NAME	POSITION
	Mark Lemmon	Chair
	Steve Beel	Chief Executive Officer
	Cllr Richard Smith	Director
	Cllr Lesley Wagland	Director
	Chris Starkie	Director
	Andrew Lawrence	Director (Via Ms Teams)
	Cllr Rachel Eburne	Director
	Cllr Ivan Henderson	Director
	Cllr David Beavan	Director
	Emily Atack	Director

IN ATTENDANCE:	NAME	ORGANISATION
	Paul Wood	East Suffolk Council
	Lorraine Rogers	East Suffolk Council (S151 officer)
	Paul Davey	Hutchison Ports
	Lee Heley	Tendring District Council
	Jai Raithatha	Suffolk County Council
	Samantha Jones	Essex County Council
	Fiona Duhamel	Babergh and Mid Suffolk Council
	Sarah West	Harwich Haven Authority
	Tom Gooding	Suffolk County Council
	Mark Taylor	Hutchison Ports
	Marie Finbow	Freeport East
	Simon Papworth	Freeport East
	Steven Wilson	Freeport East
	Daisy Newton	Freeport East

APOLOGIES:	NAME	POSITION
	Dr Robert Singh	Director
	Clemence Cheng	Director

1. Notice and quorum

The Chair declared the meeting open.

2. Welcome and Introductions

The Chair welcomed all attendees to the Freeport East Supervisory Board meeting.

The Chair noted that Clemence Cheng had sent his apologies and appointed Andrew Lawrence as his proxy for the meeting.

Dr Robert Singh had also sent apologies.

3. Minutes of the last meeting

The minutes of the meeting held on 26 September 2023 were **Agreed**.

There were no matters arising.

4. Declarations of interest

Each Director present declared that they had no new interest which they were under a duty to disclose in accordance with section 182 of the Companies Act 2006 (The Act) in any existing transaction or arrangement or section 177 of the Act in any proposed transaction or arrangement with the Company or was otherwise required to be disclosed in accordance with the Articles.

Each Director noted their requirement to inform the Company of any situation or transaction that would require further disclosure from them regarding their personal interests and any conflict arising (or potentially arising) from them.

The Chair also asked all Directors to ensure Freeport East were made aware of any changes or updates in relation to information required for the annual Confirmation Statement.

5. Autumn Statement Update

The Chief Executive provided a brief update in relation to the Autumn Statement. This included the positive news that the window for claiming tax reliefs had been extended, as well as proposals for a Government Delivery Roadmap and a new £150m Investment Opportunities Fund. Further information on these, as well as the proposed delivery plans to accompany the tax relief extensions, would be provided when available.

In addition, other wider points of note included reference to the planned changes in Crown Estate investment abilities and changes to the energy connections process which may have a direct impact on sites within the Freeport East area.

6. Risk Summary and Work Programme Delivery Update

An update was provided to the Board against the Freeport East Work Programme and risk register.

The update summarised key changes as well as those currently listed as red and the appropriate mitigating actions.

Risk No. 28 – the Board supported the approach of ensuring DLUHC were aware of our position in relation to pursuing new customs site options.

Risk No. 21 – the Board noted ongoing discussions seeking to resolve the short-term funding arrangements, which were further discussed in the Finance & Audit Committee.

Risk No. 26 – it was noted that Freeport East was still awaiting any further guidance from DLUHC in relation to a subsidy control scheme and that this was creating ongoing challenges for Freeport East and the Accountable Body. It was noted that Tendring District Council have now completed the relevant forms for application for freeport business rate relief and these would be shared with relevant interested parties shortly. These should form the basis for a common approach across all Billing Authorities.

The Board noted that the Risk Summary and Work Programme Delivery is a valuable document to have sight of and were supportive of continuing to receive it as a standing agenda item going forwards.

A verbal update was also provided on the Bathside Bay Green Energy Hub, including on the planning documentation recently submitted and ongoing conversations with Government and investors in relation to a combined financing strategy. It was noted that alongside the unique capabilities of the project in terms of water depth, quay length and land area availability, it was also amongst the most advanced offshore wind port projects in the UK in terms of its planning status.

Action: Freeport East to follow up with all tax site owners to conclude tax site owner agreements.

Action: Freeport East to include a summary of tax site development as part of future delivery updates.

7. Update on MoU Milestones

An update was provided to the Board in relation to progress against the MoU Milestones.

It was noted that DLUHC has previously communicated that the Annual Review would commence in November, although no further information had been received at the current time. The MoU Milestones would be one aspect to be considered as part of the annual review. The main outstanding activities were in relation to finalising the relevant governance agreements with tax site owners.

8. Finance Update

Cllr Smith provided an update to the Board on the Finance and Audit Committee Meeting.

It was noted that a suite of financial controls was now firmly in place and had been reviewed at the Committee. A risk register focused on items within the remit of the Committee was also in place and would be a standing item at future meetings. The next Finance and Audit Committee meeting will be held in January.

The Board discussed the latest update in relation to the financial position of the Company and the options available to manage the cashflow shortfall prior to business rate income. The Directors expressed their disappointment that DLUHC were not providing any further capacity funding given the financial demands of running such an ambitious programme.

Directors commented that the proposed interest rate on a working capital loan from the Accountable Body appeared high given the unique functions and purpose of the Company. There was also discussion in relation to the extent of application of subsidy control provisions in this case. Directors requested sight of legal advice being used as a basis for the loan proposal by the Accountable Body.

The Accountable Body confirmed that the lower budgetary spend proposal of £800k in the current financial year was manageable without any further funding solutions required. This reflected the current in-year cashflow position and the remaining funds from the DLUHC capacity grant and other funds held on account for security. However, there was still a need to focus on how the budget for FY24/25 would be properly supported.

Directors also discussed the importance of considering the accounting treatment and auditors perspective on our financial position, which was separate to how the Accountable Body, as a local authority, may be able to manage a cashflow position.

It was noted that the option of a loan from the Accountable Body was still considered a last resort and further analysis would be undertaken to consider the appropriate interest rate. The Accountable Body noted that other freeports had entered into similar arrangements for short-term working capital support, although the exact details were not clear.

The Chair thanked Cllr Smith and the team for their continuous hard work and ongoing support with the financial discussions currently taking place.

Alongside ongoing discussions around the finances, the Board requested for a further update on forecast business rate income. It was noted that with existing site developments ongoing, there was now a high certainty of business rate income arising in the coming year. A detailed forecast would be provided at the next Board as part of the retained rates strategy item.

Cllr Smith thanked East Suffolk Council for their work supporting the financial arrangements.

Action: Accountable Body to consider advice on lending options that can be shared with Board Directors.

Action: Finance & Audit Committee to further review the preferred financial options for FY24/25 and report back to the Board.

9. Review Board TORs

The Board discussed the proposed revised Terms of Reference which reflect arrangements as set out in the Members Agreement and Articles of Association.

It was agreed that it would be timely to review the governance arrangements as set out in the Members Agreement during 2024 given over 12 months of operation will have been completed by then.

The Board **approved** the Board TORs.

Action: Freeport East to undertake a review of the governance arrangements as set out in the Members Agreement and report to the Board with proposals during 2024.

10. Felixstowe Seed Capital Business Cases

The Chief Executive provided an overview of the two proposed seed capital business case decisions. He cited the need to ensure the business cases represent a positive overall economic case for investment, that they are in line with the Full Business Case approved by Government and that they firmly support the vision of Freeport East.

The two business case proposals presented relate to addressing critical infrastructure barriers at the main Felixstowe tax site, as previously set out in the Full Business Case to Government. It was noted that £25m of seed capital had been allocated by Government to support delivery of the 3 tax sites and particularly to address barriers to development that were holding back the commercial viability of the sites. Of this £25m, the Freeport East Full Business Case had proposed £12m in total would be used in Felixstowe, £6m at Gateway 14 and £7m at Harwich.

The first proposal in relation to addressing groundworks issues, site remediation and flood risks would help prepare the Felixstowe tax site for wide-scale commercial occupation and increase employment capacities across a range of sectors. The proposed value of grant support was £3.5m.

The second proposal in relation to investing in new upgraded power supplies would help attract higher-value, power-hungry occupiers and enable the site to genuinely act as an enabler of net zero economic change. It was noted that this proposal initially required further detailed analysis and costings work that would be supported by an initial grant to cover those further development costs. The proposed initial grant was £350k, with the

expectation of up to £8.5m in total being made available to support these works in due course.

The Board noted the significance of the Felixstowe tax site to helping deliver on the overall Freeport East vision as well as generating a significant amount of business rates that would go into supporting the local economy and growth priorities. Unlocking the site through tackling these infrastructure barriers was central to the success of Freeport East and would enable more effective marketing and negotiations with potential occupiers of the site. The resulting employment outcomes would act as a significant boost for Felixstowe and the wider geography and act as a stimulant of wider investment in the area.

The Board discussed the need to ensure the site and port owner were contributing sufficient funds to ensure successful delivery and maintain value for money for the public sector. It was noted that once further work had been done in relation to the power cable developments, there would be further opportunity to examine this and maintain an appropriate balance of contributions.

The Board raised the question of how accessibility to future employment opportunities in the Felixstowe areas could be enhanced. The Board discussed the possibility of strengthening provision in relation to ferry services between Felixstowe and Harwich which would benefit all communities, increase the labour market reach and resilience of all businesses in the area, and help to integrate the local economies for mutual benefit. It was noted that the Freeport East transport sub-group was already beginning to look at strengthening local infrastructure connections and the ferry service had been raised in that context. It was agreed that a summary of the current situation and possible future options would be brought to a future Board meeting.

It was clarified that East Suffolk Council as Accountable Body will finalise the subsidy control assessment as part of the final approvals and would enter into the relevant grant agreements on behalf of Freeport East.

The Board **approved** both seed capital business cases and the associated seed capital allocations of £3.5m and £350k and authorised East Suffolk Council to progress the next steps.

Action: East Suffolk Council to proceed as quickly as possible to finalise subsidy control assessments and put in place grant agreements to support timely and efficient delivery of the seed capital expenditure.

Action: Paper on Harwich-Felixstowe ferry services to be brought to a future Freeport East Board meeting.

11. Retained Rates Strategy Update

The Board discussed a paper setting out an update on the process towards finalising the retained rates strategy, which would capture the approach to forecasting, collecting and distributing retained business rates from the three tax sites over the next 25 years. It was estimated that these rates could exceed £300m in total.

The Board noted the key design principles set out in the paper and that these would be reflected in the emerging full strategy document. In summary they will encapsulate the overall aim to make all freeport expenditure self-financing and avoid liabilities falling on any of the partners, whilst also maximising the proportion of retained business rates that will be allocated through decisions of the Freeport East Board to best maximise the success of the Freeport East initiative.

The retained rates strategy would be further discussed with local authorities and the Management Committee and then brought forward to the next Board meeting in January.

It was noted that the final Retained Rates Strategy would be published and then updated on an annual basis to maximise transparency on how these public funds were being utilised to support the freeport initiative.

12. Gateway 14 Innovation & Skills Centre Update

Mid Suffolk District Council provided a presentation on the proposed Skills & Innovation Centre at Gateway 14. At the Full Business Case stage, the centre had been earmarked for support through the £6m seed capital allocation to Gateway 14.

MSDC noted that at this stage the centre was also likely to need the support of retained business rate income to ensure it was fully viable and would be able to fulfil its potential in driving R&D and innovation-focused occupiers to the Gateway 14 site.

The Board noted that any decision in relation to use of retained business rates to support the Skills & Innovation Centre would first require approval of the retained rates strategy and confirmation that the project properly fitted with the relevant criteria for the funding being sought.

The Board raised a number of questions including in relation to the ambition around carbon reduction, the delivery model for the centre and related charges and the fit with the wider marketing and commercial strategies for the Gateway 14 site.

Overall the Board supported the overall concept of the project while noting the need to ensure proper scrutiny of the business case in due course.

It was noted that Freeport East and partners at Tendring District Council and the University of Essex had also been progressing plans for an Innovation centre in Harwich and that this would also merit further discussion in relation to funding support.

13. Managing Government Policy Risk

The Board discussed the update on cross-party engagement in relation to current and future Government policy and both the risks and opportunities this creates for Freeport East. Areas of activity included our support for the East of England APPG and a range of bilateral interactions with Government departments and parliamentary representatives.

The Board supported the idea of further engagement with relevant public affairs experts in relation to how the future direction of public policy could create opportunities for Freeport East and that this could be considered as an agenda for future Board meetings.

14. Any other business

Freeport East announced their new website on the 17th November.

The next meeting is scheduled for 22 January 2024.

15. Close

There was no further business and the chair declared the meeting closed at 15:42.



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Mark Lemmon Chair
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