Teesside Freeport

Final Full Business Case

V2 September 2022

Contains Commercially Sensitive Information

Contents

Foreword

Our region is a region that is on the up. Having always been an outward looking, globally trading region Teesside, Darlington and Hartlepool are perfectly positioned to reap the benefits as we move into a post-Brexit, global world.

One of the biggest opportunities is our status as the UK's largest and first to be operational Freeport, helping to boost international trade by giving exemptions from certain tax and customs requirements. Meaning more investment and more jobs for local people.

The Teesside Freeport is centred around the 4,500-acre Teesworks site, the country's largest industrial zone which is primed to become a leader in clean energy, offshore and advanced manufacturing. There are a number of exciting and innovative projects in the pipeline right now, that will make Teesside Ground Zero for Net Zero, including the Net Zero Teesside carbon capture, utilisation and storage power plant, SeAH Wind's mammoth monopile manufacturing facility, and Circular Fuels refinery to produce clean-burning gas.

It sits next door to Wilton International, also part of the Freeport, and which is Britain's biggest chemical complex, which has seen more than £1.3billion of investment from established global companies in the past ten years, making it a hotbed of industry in the sector.

However, our Freeport doesn't end there, with locations across all of our five towns – Darlington, Hartlepool, Middlesbrough, Redcar and Cleveland, and Stockton-on-Tees – to ensure each area feels the benefit and there's something to suit every business, no matter its type, size or needs.

For example, land at Teesside International Airport, just a stone's throw away from Darlington town centre, has also been granted Freeport status, proving a further draw to firms wanting quick and easy connectivity to London or internationally, via London Heathrow. The town is also home to the government's new Darlington Economic Campus, which when fully operational, will be home to nearly 2,000 senior civil servants from major departments and agencies including the Treasury, the Business Department, the Department for International Trade, the Department for Levelling Up, the Office for National Statistics and the Competition and Markets Authority.

In just its first five years the Teesside Freeport will create 18,000 good-quality jobs and add billions of pounds to the regional economy. This is without accounting for the many thousands more in our fantastic, robust supply chain that employs highly skilled workers to deliver top-quality products and services to anyone looking to base themselves here.

Thanks to our Freeport, there is nothing standing in the way of the Tees Valley becoming a powerhouse of international industry and innovation once again – or to businesses looking to relocate to truly thrive and succeed.

Ben Houchen
Tees Valley Mayor

Introduction

This Full Business Case (FBC) has been developed by Tees Valley Combined Authority (TVCA) in accordance with HM Government's Set Up Phase and Delivery Model Guidance: English Freeports (June 2021) and the subsequent FBC Guidance: English Freeports (November 2021).

This FBC sets out how the UK Government Freeport Policy will be applied to operate the Teesside Freeport. It builds on the Outline Business Case (OBC) submitted in July 2020 which assessed the potential impact and deliverability of the Teesside Freeport and specifically the need for Government investment of £25m of seed capital (and other supporting interventions) on specified tax and custom sites. This business case updates the assessment of benefits to end users attracted to the sites and the impact on potential Government revenue as a result of the use of the following supports:

- Zero rate of Secondary NICs for Freeport Employees;
- Enhanced capital allowance (ECA) for plant and machinery in Freeports;
- Enhanced Structures and Buildings allowances (SBA) in Freeports;
- Stamp Duty Land Tax (SDLT) Relief for Freeports; and
- Business Rates Relief.

The Tees Valley is home to Teesworks, the largest regeneration site in the UK, which is currently being remediated and developed by South Tees Development Corporation (STDC). Two of the Freeport tax sites are based on this site. This is the third business case to HM Government funding, relating to the 1800-hectare (4500-acre) Teesworks site. Each case builds upon its predecessor:

July 2020: STDC applied to BEIS and MHCLG (now DLUHC) to take over the ownership and management of the ex-Steel Works, a site defined as hazardous by the Health & Safety Executive[1], to progress the site from keep safe into remediation, and back into economic use. The milestones put forward indicated the decontamination work would take at least a further 4 years to complete on specified (not all) sites. The subsequent regeneration of the site, to bring back into economic use, had no defined timeline as was subject to raising funding through leases from inward investors seeking to locate on the site. This business case was approved through a joint investment committee involving BEIS and MHCLG.

March 2021: The application for Teesworks Offshore Manufacturing Centre (TOMC) was submitted to BEIS for £20m grant funding. A £107m loan facility has also been secured from the UK Infrastructure Bank (UKIB's first loan) to fund the costs of reinstating the South Bank Quay, as part of the TOMC business case. This business case resulted in remediating the land for the TOMC sooner than proposed in the previous business case and in the reinstatement of the Quay by 2023.

January 2022: This Teesside Freeport business case overlays the previous two business cases. It applies the Freeport Policy which intends that Freeports are:

- National hubs for global trade and investment;
- Promote regeneration and job creation as part of Government's policy to level up communities; and
- Develop hotbeds for innovation.

It also assesses potential impact and deliverability of the Teesside Freeport and how this builds on the existing work of the Tees Valley Mayor and TVCA by accelerating the benefits of regeneration, contributing to the Levelling Up agenda, Industrial Strategy, Offshore Wind Sector deal and Net Zero 2050.

September 2022: This Final Full Business Case updates the January 2022 submission, clarifying the content in line with feedback and critical action requirements set out by DLUHC.

This HM Treasury Green Book compliant document includes an evidence base for the following:

[1] The site is an area subject to COMAH 2015 – the Control of Major Accident Hazards (COMAH) Regulations 2015.

- **Strategic focus:** The Freeport has a clear focus on specific industries, economic activities and/or value chain components that rely on similar factors of production and allow for synergies, agglomeration, and clustering.
- **Value proposition:** Teesside Tax and customs sites have clear appeal for the types of investors the Freeport is aiming to attract, including necessary infrastructure in and around them, an appropriate supply of skilled labour and key business services.
- **Strong governance:** Appropriate governance arrangements are in place, with active and well-structured roles for private sector stakeholders, key local authorities and local stakeholders for innovation, economic strategy, skills, and place making. This links to the regulatory processes that govern the Freeport Levers which ensures they are applied to the maximum benefit for the occupants of the site, whilst also maximising job creation, GVA and economic benefit to the region.
- **Local economic linkages:** The Freeport is well integrated into the wider local economy, supporting sectoral clustering and supply chain linkages.

Included within the annexes at the end of this business case, are refreshed versions of living documents which set out how Freeport status adds value to the existing work of TVCA. These will iterate to adapt to market conditions and business need to best apply the policies into actions and deliver better outcomes for the residents of the Tees Valley.

Overview of Revisions from FBC V1 January 2022 to Final FBC V2 September 2022			
CA Ref	**FBC V1 Critical Action**	**Summary of how action has been addressed in FBC V2**	**Para / Page / Annex ref (s) for where action has been addressed**
1	**Tax Site Management** As with all other Freeports we want to have confidence that mechanisms and strong governance structures have been put into place to ensure that tax sites will be delivered in line with the Freeport vision. Please provide more detail on exactly how you will put your tax site delivery and management approaches into practice. In particular, please provide: a. The gateway policy/policies that will be used to determine eligible tax site end users and details of any obligations this places on end users. b. Evidence that all tax site landowners have agreed to this policy, including signed copies of the document(s). c. Detail of how compliance with the policy will be monitored, reported on to HMG, and enforced by the Freeport Governing Body, such as how the business rates relief policy will be utilised in practice. d. Further information on the land purchase option on the Teesworks site and assurance it will not compromise the Freeport objectives.	The tax site gateway eligibility criteria has been expanded into a wider policy and process document which sets out how tax site benefits will be managed. This is Annex U. This was approved by the Freeport Board on 29th September 2022. The requirement to satisfy b has been rescinded. References to Annex U are incorporated into section 4a 1d. The rationale for the Teesworks land purchase option is included in Section 1di1	**New Annex U** **4a** **1di1**
2	**Tax Site Delivery** Tax Site Delivery 1. Provide delivery plans for each tax sites to complement the collective approach already set out. This will need to include: a. The status of the land. b. Plans for the plots ready for redevelopment. c. The extent to which end users have already been identified for each site. d. The delivery timeline, which should provide a breakdown to the key milestones for the delivery of planning and consents, design, procurement, construction, and handover/occupation to plot level, where possible. e. Status of statutory consultee position. 2. Confirm how the Freeport Governing Body proposes to have oversight of the progress with tax site delivery, in particular in relation to programme, budget, scope, and investment promotion 3. Please confirm whether the contamination on the SLEMS site will result in any delivery constraints on the development of adjacent plots of land.	1.Summary of plans for the preparation of sites to attract inward investment and further development are summarised in Annex V. 2.The Freeport Board oversight of delivery against progress is provided via performance reporting to the Board at each Board Meeting. This is referenced in the Tax Site Management Policy at Annex U 3.The contamination, and resultant high remediation cost, of the SLEMS site does not result in delivery constraints on adjacent plots of land. SLEMS is included to create the contiguous tax site, however further references have been removed from 1di1 Seed Capital as they were not relevant.	**New Annex V** **1di2** **4a** **New Annex U**
3	**Customs** We need to have confidence that your customs site will be in meaningful use in the near future: 1. Please submit a plan showing clear evidence that at least one business will be operating in the primary customs site and making use of the Freeports customs procedures within a reasonable timescale. A reasonable timescale is defined as within 12 months from the time of designation of the customs site unless exceptionally approved through discussion with HMRC and DLU. For example, an extension might be granted if significant construction is required that will create a large number of job or ground-breaking innovation. 2. Submit details of how the Freeport Governing Body will maintain accountability for delivering plans for customs sites as set out in this FBC (Ref section 1.11 of bidding prospectus requirements).	Section 1di4 has been updated removing references to plans and stating that the Primary Customs Zone is active. HMRC reference GBFBA/000/0000122 granted 24/8/22 granting Caspers, the Customs Site Operator, authority to operate Customs Warehousing. The first activity of product brought into the PCZ will commence in September 2022.	**1di4**

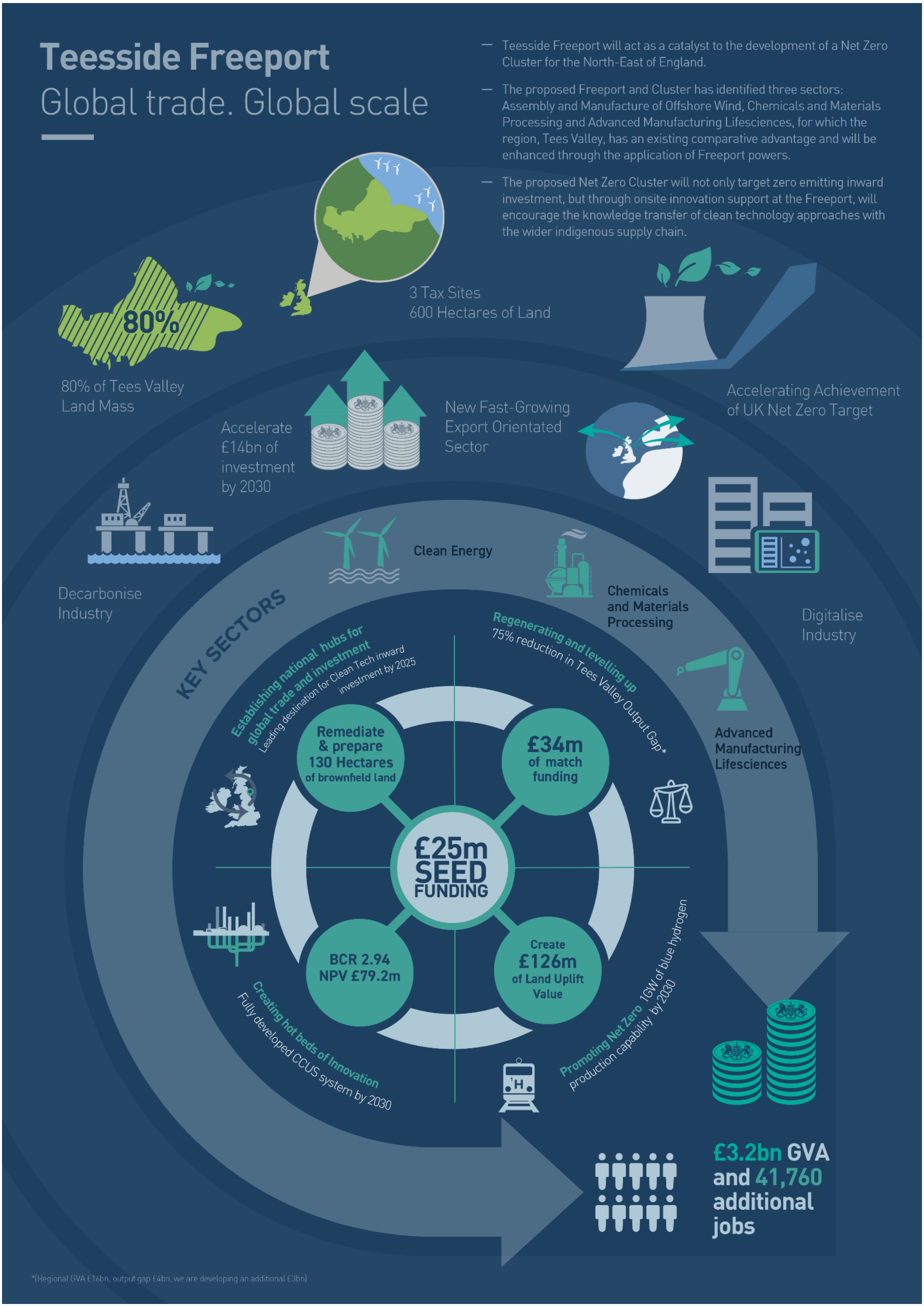
4	**Trade & Investment** 1. Provide further details on the expected interaction between the Freeport's trade and investment propositions and the proposed services requested from DIT, including why these services are relevant to meet the Freeport's ambition and how they provide additionality above and beyond what the Freeport is able to provide.	Details on how the Freeport's trade and investment function wishes to interact with DIT has been added into Section 2.3 Resources of Annex K	**Updated Annex K**
5	**Transport** 1. Set out to what extent the Freeport and delivery of its intended impacts (e.g., including jobs for people in deprived areas) relies on any major transport projects and what the risks are if they are not realised.	The New Tees Crossing (NTC) and the Teesside Freeport are mutually beneficial projects. The importance and impact of NTC is set out in Section 1diii Project Pipeline	**1diii**
6	**Skills** Skills activity represents an integral part of the Freeport model. We need to have confidence that a full assessment has been done of the current skills landscape within the Freeport geography and how the Freeport will address areas of weakness identified in a meaningful way. Please provide: 1. A full analysis of the current local labour market in terms of skills levels and existing skills gaps; the evidence base used should be cited (e.g., SAPs and other labour market reports). 2. A full analysis of the skills level, role types, and delivery timescales of the jobs the Freeport is expected to create and the ability of the local labour market to meet this demand/any skills shortfall that are likely to result. 3. Additional narrative explaining how the Freeport plans to involve employer representative bodies (including Chamber of Commerce) in the delivery of skills activities. This should align with DfE's Local Skills Improvement Plan. 4. Details of the identified links between the Innovation Strategy and Innovation Sub-group and Skills Strategy and Skills Liaison Group. A description of relevant existing Combined Authority analysis and plans and how these align to the Freeport may be sufficient.	1.Additional clarification of sources of data behind local labour market analysis provided in Section 2.1, p5. 2.The impact of Freeport on future opportunities for the labour market (supply side) has been added to Section 2.2, p9. The expected delivery timescales are provided in Section 2.2, p11, from the draft plan of the Teesworks Skills Academy. 3,4. Information on the relationships with employer representative bodies in the delivery of skills has been included in Section 3.2, p15, including the Enabling the Integrated Industrial Area subgroup of the LEP. This also shows the intra relationships with the Innovation subgroup.	**Updated Annex N**
7	**Innovation** 1. Make it clear what the Freeport offer is for innovation in addition to what is on offer, or will be on offer, in the area already. 2. Provide detail on how the Freeport will stimulate innovation and adoption by businesses within the Freeport, including what support will be offered and how they plan to coordinate support for businesses. Things to consider include the use of retained business rates, the coordination role the Freeport could play, how the Freeport will make use of the existing TVCA Sector Network Programme, how the Skills Strategy could interact with the innovation offer, how inward investment could be targeted at innovation activity and how it could be used to stimulate innovation. 3. Reflect the following in its governance structure: a. How universities will be represented b. How industry is represented 4. Further detail on where regulatory burdens may present a barrier to innovation, and how these will be mitigated through working with the FREN	The annex has been updated with additional information. 1.The convening role, or offer that links together all the Freeport levers is added in Section 1.2 2.The convening role links to the Sector Networks programme – information added into Section 2.3. 3.The engagement with stakeholders is formalised in the EIIA subgroup of the TVLEP. The governance structure is provided in section 1.3 4.Additional commentary of the role of FREN is provided in Section 1.3	**Updated Annex L**

8	**Economic Case** On the economic case the following actions are required: 1. Use the correct methodology to calculate BCR for land remediation spending –all public costs must be included (including BEIS funding). All private costs that affect any of the measured benefits must be included as negative benefits. The OBC contained a note that the "true cost of just the land remediation and site preparation is circa £56m". The costs in the economic case in the FBC do reflect this. 2. Sensitivity analysis should be revised based on this new BCR. This should include: a. BCR based on simultaneously achieving median local land value for remediated land and median land remediation costs to date. b. Clarification of assumptions underpinning central estimates of land value uplift –is it credible that all land will sell for the price of the single transaction so far? c. Clarification of assumptions underpinning land remediation costs –cost estimates have changed (partly due to gradual reduction in covid restrictions), but also because of levels of contamination –should clarify questions such as what proportions of the land are at different levels of contamination, and what the expected/average costs for remediating that type of land are? 3. More information, including modelling where possible, on the VfM of retained rates spending. 4. A high-level assessment of the potential social impacts from the Freeport interventions. 5. Further detail on the economic benefits associated with customs sites, including the specific benefits the kinds of businesses expected to locate within the Freeport are likely to derive. 6. Clearer rationale around the scoring system of qualitative benefits should be supplied	1.Value for money calculations for land remediation have been revised to include all public sector spend – from BEIS and DLUHC. Tables in section 2bii provide summary of NPV and BCR, calculations are in Annex Ib. Annex Ib calculations reflect SeAH project delivery timescales (not GE used previously) as it draws from Annex Mb calculations. This also includes modelling and commentary on Displacement in Option 2 2. Sensitivity calculations are updated and summarised in Section 2bii, this includes a. the lowest land value uplift, and highest remediation cost to maintain a BCR of 1 b. land value is confirmed as the price agreed on, now, three inward investments c. land remediation costs are from actual costs 3.BCR summary added into Wider Benefits 2biv, modelling calculations added into Annex Ib. 4.Social Impacts added into the Qualitative Benefits section 2biii 5.Customs sites benefits added into 6.Additional narrative to clarify the scoring system added to Section 2biii	**Paras 186-190** **2bii** **Annex Ib** **2biv** **2biii** **1di4** **2biii**
9	**Outputs** 1. Provide detail on the methodology used to calculate output figures, including, quantifiable detail of current baselines used, linking directly to expected outcomes. 2. Break down where outputs will be achieved from by: a. Freeport Levers b. Wider Interventions c. Project Pipeline 3. Clarify why and how expected outputs constitute additional value that would not be realised without the Freeport activity. 4. Additional information should be provided regarding specifically how outputs will be achieved from tax, customs, and investment sites for the wider Freeport geography and sub-region.	The logic model provided in Section 1e and at Annex A remains unchanged. 1.2.4. The narrative in 1e has been expanded to reference the additional information now provided in the Annex Ab. Annex Ab provides the details to respond to Q1; explanatory narrative is provided to demonstrate the causality from lever through activities to outputs to respond to Q2 and Q4. 3.The clarification for Q3 is provided in the FBC in section 1e	**New Annex Ab** **1e**

10	**Seed Capital** 1. Seed capital funding has been directed towards two very focussed schemes. Please set out clearly how, and why, other interventions will fill in the gaps required to bring sites forward as well as achieve skills and innovation ambitions and other Freeport objectives where no seed capital has been allocated. 2. To enable an informed decision around the rationale for intervention, more information is needed around the 5G project e.g., where will it will take place on tax/customs sites and is in line with the Freeport vision, including the impact if this activity was not undertaken. 3. It is unclear if there is any other funding available to support the 5G, a private investor is mentioned however no mention of other funds, could this be funded elsewhere? 4. More information must be provided in relation to the Seed capital costs and funding breakdown. Especially in relation to the 5G activity. 5. Confirm that there are funding contingency plans, should there be cost overruns for all seed capital proposals. 6. Provide a detailed delivery timeline for the seed capital projects, including a breakdown of the key milestones through to project completion	1. Additional information has been added to Section 1di1 to confirm the decision to focus on land remediation and digital schemes. 2,4. The decisions on which projects the seed funding is invested in will follow the Treasure Green Book and TVCA Assurance Framework. 3. Updated information on private sector investment is included which releasing the seed funding for other uses. 5. Funding contingency plans, including the impact of inflation on costs, are covered in the Financial Case 6.The milestones table is included in Section 1di1	**1di1**
11	**Financial Case** 1. Updated financial tables should be supplied, in particular to update the time profile of funding and expenditure to reflect that no seed capital funding payments will be made in 2021/22.	The financial table in Section 3 Financial case has been reprofiled to spend all the DLUCH seed finding allocated to remediation and site preparation costs in 2022/2023. The rest of the financial table is unchanged	**Pages 59-63**
12	**Retained Business Rates** 1. Please quantify the additional amount of retained rates expected to result from Freeport status (including the additional areas and years of retained rates, and also the rates associated with additional and accelerated activity on sites that already had SEA designation). 2. A clearer the investment strategy for the retained rates, to provide confidence that funds will be deployed to maximise the realisation of the Freeport's objectives. This should identify specific workstreams or themes for the use of retained rates and for each of these states: a. Objectives and rationale, with direct reference to contributions to the Freeport's objectives b. Geographical focus and likely beneficiary groups c. An indicative share of the total retained rates pot d. Types of intervention likely to be funded, including any that have already been identified and any under consideration. Expected benefits, including where possible outputs and outcomes. Full and finalised detail is not required at the FBC stage. The rating authorities will be expected to sign up to the investment strategy as part of signing up to the MOU to proceed beyond FBC. We would expect to see a finalised investment plan in late 2022. There will also be the flexibility to revise and refine investment strategies and plans during implementation through a change process. 3. Confirmation that all billing authorities for Freeport tax sites endorse the approach to utilising retained business rates as set out in the FBC.	Analysis carried out by the Freeport Hub quantified the potential additional amount of business rates, the additionality is explained in Annex Ma, illustrated in Figure 4. The numerical data is in Annex Mb. Annex Mb has been updated to reflect the change in timing of business rates income due to the change of tenant from GE to SeAH. 2.The investment strategy is provided at Annex W; this follows the Freeport Hub template to provide answers to the points raised. 3.RCBC, the sole billing authority, provided the letter at Annex F, have worked with Freeport to refine the investment strategy into the logic model in Annex W	**1di3, 5a** **Annex Ma, Mb** **New Annex W**

13	**Security** The FBC does not provide the Government with sufficient assurance that security and illicit activity risks have been fully considered. The following must therefore be provided: 1. A clear and detailed statement of any new or existing port risks and appropriate (new or existing) mitigations within the security and illicit activity risk assessment. 2. There should be a clear articulation of who is responsible for security risk management. 3. A clear statement of how security and illicit activity risks, and the security and illicit activity risk assessment, will be managed within the Freeport's governance structures and/or how the Freeport's governance structures will interface with existing security structures. This must show how relevant security stakeholders will be engaged on an ongoing basis in the management of security and illicit activity risks and the security and illicit activity risk assessment.	Section 5g has been updated to provide clear answers to the points opposite.	**5g**
14	**Governance** 1. Demonstrate governance transparency, propriety, and inclusivity, abiding by the Nolan principles. This includes but is not limited to the publication of Board papers and minutes and a register of member's interests to ensure any conflicts of interested are recorded and managed appropriately.	This critical action was withdrawn. Confirmation received that the governance arrangements set out in Annex J had been provided within the FBC annexes, and the Teesside freeport lead at DLUHC has seen the governance process in practice through the sharing of board papers.	**No changes made**
15	**Financial Case** Please can you confirm you have factored inflation into all costs and assumptions across the FBC. Please also conduct a sensitivity analysis of the FBC financial model illustrating the impact of continued inflation at or around current levels and confirm that this has been included in your risk register with appropriate mitigation	Section 3c has been updated. It states how the risk of cashflow deficit is managed; how inflationary pressure impacting on operating costs is managed; how TVCA manages its funds to ensure delivery of its business development, trade & investment, innovation, skills and net zero promises; and the relevant financial risks extracted from the updated Risk Register.	**Pages 59-63** **Updated Annex D**

1. Strategic Case



1a – Strategic Rationale: The Need for Public Intervention

Key Messages:

- Covering over 300 square miles and located on the North East coast of England, Tees Valley comprises five local authority areas including: Darlington, Hartlepool, Middlesbrough, Redcar & Cleveland and Stockton-on-Tees.
- It is home to 700,000 people, representing 1.2% of the population of England and 0.6% of the English land mass. It is highly urbanised, with 90% of the population in urban areas.
- Its economic back story leads us to four main market failures which Freeport status, along with other investments led by TVCA, seeks to address: financial viability gap, coordination, demonstration effect, and labour market constraints.
- Tees Valley Combined Authority (TVCA) combines the five local authority areas, under the leadership of a directly elected mayor. TVCA is made up of a group of organisations, including the South Tees Development Corporation (STDC) and Teesside International Airport (TIA).
- STDC is responsible for Teesworks, the largest regeneration site in the UK, it is the first mayoral development corporation outside of Greater London and was established in 2017.
- The Tees Valley is the ideal location to get the maximum benefit for companies with high import and export potential due to its coastal location. There are ten miles of operational river along the Tees with some of the deepest berths on the east coast.
- The area has key specialisms in the offshore energy, process, and manufacturing sectors. It is home to the UK's largest chemical cluster (Wilton International Tax Site) and the area produces more than 50% of the UK's hydrogen and 50% of the UK's ammonia.
- Using proposed Freeport powers as a catalyst for subsequent commercially driven infrastructure investment, the aim is to create an internationally recognised Net Zero Cluster (Application of clean technology including offshore wind, hydrogen and decarbonisation, circular economy, and the application of industrial digitisation) in the Tees Valley.
- The £25m seed capital sought by this business case is required to accelerate the preparation of the Teesworks tax sites, ahead of commercial demand for the site.
- It is estimated that all tax benefits across the Freeport designation period will total £287m in present value terms.

The Freeport has the potential when fully operational, to:

- create 41,780 jobs
- add circa £14bn of additional GVA into the wider economy
- This will create demand for 24,000 more homes [2] and
- increase retail expenditure by potentially rising £2.5bn [3]
- The spill over effect to the wider region will create a further 60,000 indirect and induced jobs.
- The Seed Capital investment will realise land uplift of £126m, which will then stimulate (expected within 5 years) the remediation of c1,800 hectares across wider Teesworks and Wilton International sites.
- It will catalyse the Levelling up of the region by increasing, complemented by the amount of public sector investment into the region, and
- increase regional GVA of £3.2bn per annum on full roll out.
- combined with wider indirect impacts this has the potential to fully address the output gap £4.5bn and hence level up Tees Valley against the UK average.
- **Freeport will more than triple the economic impact in terms of jobs and GVA by the earlier date of 2031, compared to the TVCA strategic growth plan.**

Tees Valley and the Teesside Freeport in Context

[2] *Based on 40% of realised jobs requiring relocation to the region, the figure of 24,000 homes demanded, will stimulate both the new build and the under-utilised second-hand housing market in the region*

[3] *Based on an average spend per head of £2,600 for comparison shopping or £1.6bn for the Tees Valley, and a 62% increase comparison shopping on 2018 figures, as a result of increased output in the region*

Geographic Context

1. Covering over 300 square miles and located on the North East coast of England, Tees Valley comprises five local authority areas including: Darlington, Hartlepool, Middlesbrough, Redcar & Cleveland and Stockton-on-Tees.

2. The Tees Valley area is home to 700,000 people, representing 1.2% of the population of England and 0.6% of the English land mass. It is highly urbanised, with 90% of the population in urban areas. Around one third (35%) of the total population is concentrated in the five main town centres with the remaining population located in the suburbs, in smaller settlements, or rural areas. With over 78% of people both living and working the Tees Valley is a highly functional economic region. All of Tees Valley is within a half hour travel to work catchment of the Freeport, with 2.5m people living with a one-hour drive.

3. Tees Valley Combined Authority (TVCA) combines the five local authority areas, under the leadership of a directly elected mayor. TVCA is made up of a group of organisations, including the South Tees Development Corporation (STDC) and Teesside International Airport (TIA).

4. STDC is responsible for Teesworks[4], it is the first mayoral development corporation outside of Greater London and was established in 2017. The masterplan is to redevelop the former SSI steelworks land, creating new jobs and investment into the region, up to 2036. This will build on our industrial and innovative heritage to see the area transformed into a hotbed of growing industry and new enterprise, focused on the clean technologies of the future, including carbon capture, hydrogen, and offshore wind.

5. Devolved powers allowed TVCA to purchase outstanding land for development and kickstart remediation work in 2020. It has also enabled talks with investors and helped to bring them on-site more quickly. This includes Net Zero Teesside, the UK's ground-breaking carbon capture, utilisation and storage (CCUS) project aiming to develop the UK's first decarbonised industrial cluster.

6. The Tees Valley is the ideal location to get the maximum benefit for companies with high import and export potential due to its coastal location. There are ten miles of operational river along the Tees with some of the deepest berths on the east coast. It is also home to one of the UK's busiest ports, providing a global gateway to the rest of the world and handles 28m tonnes of cargo with almost 10,000 vessel movements every year.

7. Teesside Freeport offers the deepest port on the east coast of England. The area has excellent transport connections, with rail-connected port-side facilities and access to the wider strategic road network and the rest of the UK. The Tees Valley is centrally located between London and Edinburgh, making it easy to access the whole of the UK via the strategic road and rail network. London is reachable in under 2.5hrs and Edinburgh in under 2hrs by rail on the East Coast Main Line. The A1(M), A19 and A66 link the region to North, South, East and West. Teesside International Airport, a member of Teesside Freeport, has direct connections to London and Schiphol for both passengers and freight, to connect to the rest of the world.

8. The area has key specialisms in the offshore energy, process, and manufacturing sectors. It is home to the UK's largest chemical cluster and the area produces more than 50% of the UK's hydrogen and 50% of the UK's ammonia. This means there is a large, skilled workforce available in our key sector roles, with existing clusters in offshore energy, chemical manufacturing and biomanufacturing. There are also six universities within one hour of the Tees Valley, ensuring a pipeline of talent in the region.

9. The Teesside Freeport is centered around the river estuary in Redcar and extends up to a 45km radius beyond the port as shown in the map in Annex Ed. Teesside Freeport is a combination of land offering tax incentives and customs benefits. The tax incentivized land is located at the mouth of the river, in the heart of the industrial complex. Two of tax sites are located on the UK's largest regeneration site at Teesworks and the third is on the largest single site chemicals cluster at Wilton International[5]. Wilton International is the former ICI chemical plant and it has a number of available plots for

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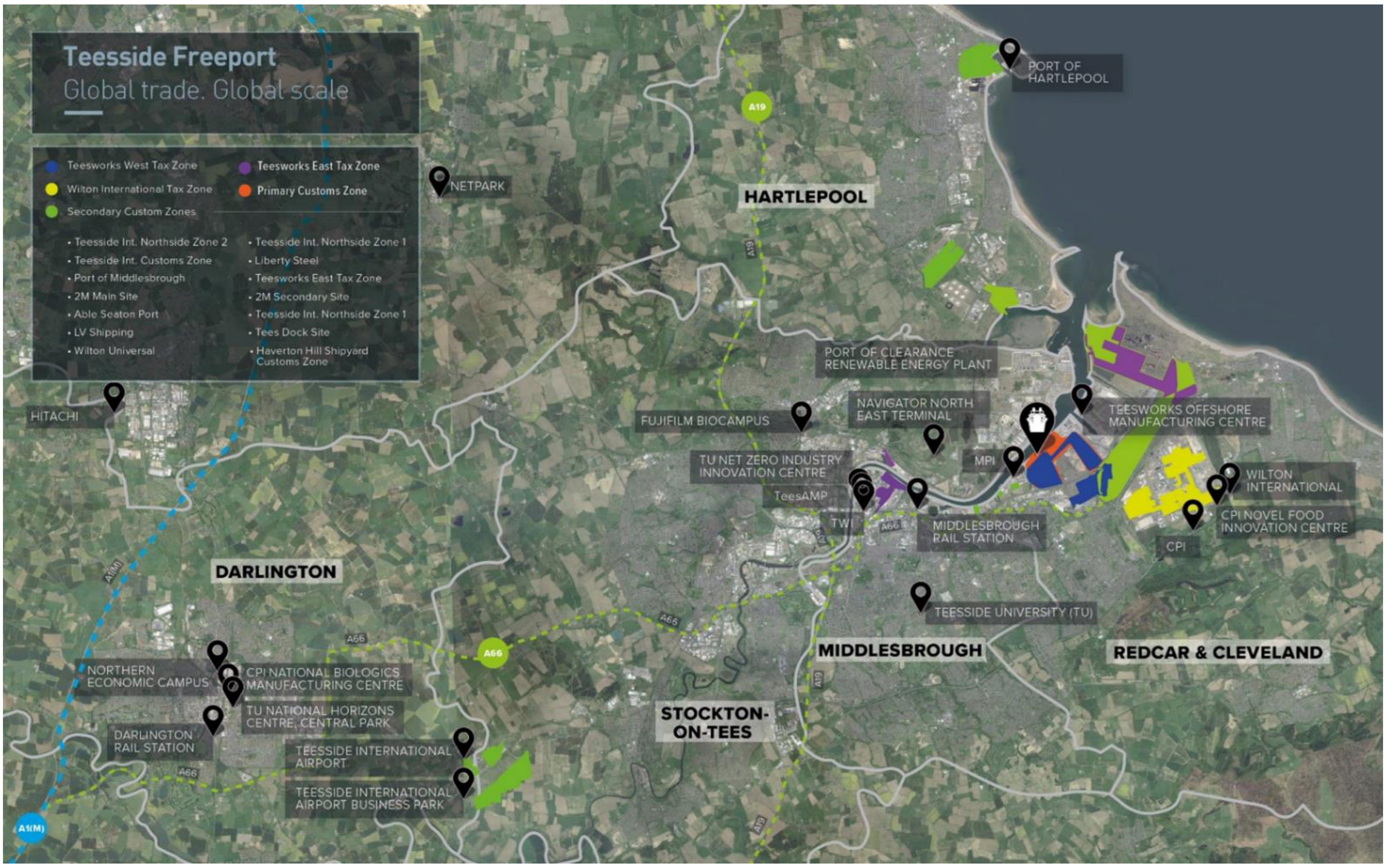
[4] *The Teesworks site covers an area of 1,800 hectares (4500 acres). The site has the qualities which make the ideal location of a Freeport, it boasts the space, labour market and shipping capacity required for scale up of industrial activity. There is extensive brownfield land, with only one landowner. The proximity to utilities, including the largest biomass generator in the world, allows private wire connections to lower electricity costs, an extensive pipe network for supplying feedstocks, liquid and gas storage facilities, weighbridges, good security, and a surplus of steam. The cluster will compete internationally against established competitors including: Rheinhessen -Pfalz, Antwerp, and Rotterdam, Geleen, the Gulf Coast (USA), Singapore and South Korea.*

[5] *Wilton International: Wilton International is the largest single site chemicals cluster in the UK, with circa 41 foreign owned companies in a variety of fields including energy generation, recycled plastic, biofuel products as well as the manufacture of chemicals and petrochemicals and who between them employ 4,000 staff and contribute £560mn of total GVA (4%) to the regional economy. The cracker at Wilton is the second largest in Europe, the only one operational in England and like the two other smaller plants in the UK (both on Scottish East Coast), is the keystone of an established chemicals cluster. The world-scale cracker produces ethylene, propylene, and butadiene, which are the chemical building blocks for items such as car interiors, tyres, electrical goods, clothing, and detergents. The cracker was recently modified to run on ethane, making it one of the most flexible crackers in Europe*

development which are plug and play ready. All three tax sites were designated from 19th November 2021 and are immediately available for inward investment opportunities.

10. Each allocated site has a specific and complementary function: Teesworks East and West will accommodate two tax sites (400 hectares) focused on clean energy and manufacturing and the primary customs zone, a third tax site will be on Wilton International (circa 200 hectares[6]) focused on chemicals and energy intensive uses. Secondary customs points will be located on existing transport facilities across the region, including Teesside International Airport; Redcar Bulk Terminal; Port of Middlesbrough; Port of Hartlepool; Teesport and LV Shipping, all offering port facilities and some of the deepest berths in the UK.



The map indicates the locations of the tax and customs zones, and the locations of key Freeport enabling organisations.

Economic Context

11. The history of the area helps explain the economic structure of the area[7]. The industrialisation of Tees Valley started in the 1820s, when the Darlington and Stockton Railway was built. During the 19th century the area developed into a major centre for iron production and subsequently also steel production. In the wake of this, also heavy engineering and shipbuilding developed as important industries. From the 1920s onward, the chemical industry emerged to rapidly become one of the mainstays of the local economy.

12. In the 1960s to mid-1970s, the area experienced a boom period, fuelled by new investment in heavy industry and in supporting infrastructure. From 1976 until about 1984, heavy industry and other manufacturing went through a period of closures and large-scale restructuring operations. Since then, the situation stabilized and there was a period of slow growth, both in terms of output and employment but lagged behind the British economy as a whole. The mid 2000s recession and the period of recovery since has been slow, the area needs Levelling Up.

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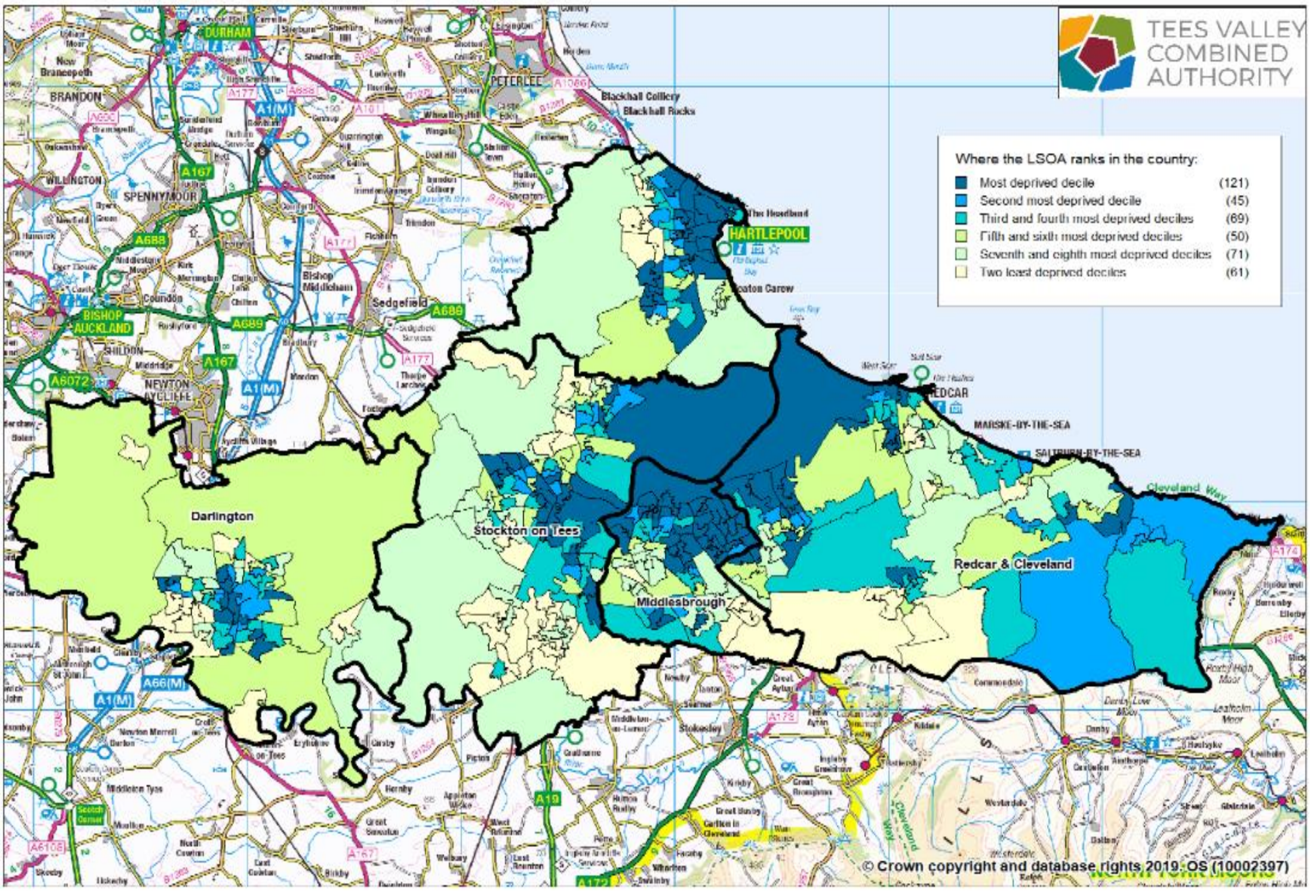
[6] In the original bid, plans were developed in relation to 151 hectares at Wilton International Tax Zone, however subsequent negotiations have highlighted the opportunity to avail of a further c 40 hectares on the same site through the inclusion of undeveloped areas of the Wilton Centre. Providing further spin out space to encourage innovation and commercialisation of new products and processes, potentially equating to an additional 1,500 jobs on this site. This is a conservative estimate, as this site is likely to attract jobs with a higher employment density and value add given that they will be primarily focused on research and development spin outs.

[7] Reference Source [180220-Working-Paper-9-Case-Study-Report-Middlesbrough-Stockton.pdf (cityevolutions.org.uk)]

13. Tees Valley's GVA output is 75% of the UK average. This equates to an output gap of approximately £4.5bn per annum. This is reflected in the regional economy by:

- **Small Business Base and Low Business Density:** Currently 66% of UK average, a gap of 7,000 businesses.
- **Low Employment Density/Too few jobs:** Tees Valley currently has jobs density[8] of 0.70 against a UK average of 0.82, a 0.12 gap which reflects the low level of jobs and also the high economic inactivity in the region
- **Low Productivity/Too few higher value adding jobs in fast growing sectors:** GVA per hour worked[9], currently 91.3% of UK average and low levels of investment in research and development, i.e., Tees Valley is currently the lowest performing LEP are in terms of expenditure on collaborative R&D (21% as opposed to the 31% median score)

14. Tees Valley has a relatively high proportion of localities within the most deprived 10% nationally, as ranked by the 2019 Index of Multiple Deprivation, and out of 38 English LEP areas it ranks as the second most deprived. Whilst this ranking is unchanged since 2015, there has been a slight increase in relative deprivation across Tees Valley in this time. The following map illustrates the relative deprivation across the region:



Source: *MHCLG. English Indices of Deprivation 2019*

15. The economic decline is shown by:
- **High Incidence of Vacant and Derelict Land** across the major urban areas, coupled with expensive remediation costs due to historical contamination (Teesworks site and Wilton International alone account for almost 2,000 hectares of vacant and derelict land), meaning there is very little economically viable land for new value-added activity in the region
- **Poor quality and limited supply of office and industrial space:**
    - The Tees Valley as a whole currently has 535,000 sq. ft of vacant industrial property against a total stock of 30.2m sq. ft – this equates to a vacancy rate of 1.8%. When compared

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[8] *Jobs density is defined as the number of jobs in an area divided by the resident population aged 16-64 in that area. For example, a job density of 1 would mean that there is one job for every resident aged 16-64.*

[9] ONS's preferred measure of productivity is Gross Value Added (GVA) per hour worked. This measure removes employment rate, economic inactivity, demographic and commuting considerations with GVA per head and work pattern issues with GVA per job.

  - against the annual average take-up rate for the region of 1,020,485 sq. ft, the current vacancy rate equates to approximately 6 months of supply.
  - A high proportion of existing business and office space is no longer fit for purpose, as it either wrongly configurated or not accessible; On a quantitative basis, there is currently enough supply to match the occupier demand for offices. But much of the vacant stock is not fit for occupiers' requirements, which implies a qualitative undersupply (i.e., present supply is Grade b1 what is demanded is Grade A. Source: Aspinall Verdi Report)
- **Negative perceptions of place:** There is an external perception of key settlements in Tees Valley as being failing places, which leads to a vicious cycle of lack of private sector appetite to invest and diminished ambition amongst residents. This manifests itself in two principal ways:
  - Limited churn/demand for housing: House prices in Tees Valley are some of the most affordable in the country. While the price of a property in England has grown by 25.3% between 2007 and 2017, Tees Valley has fallen by 7.1% over the same period. It is the only English region yet to surpass its pre-economic downturn peak.
  - Failing High Streets/Retail Offering: Employment has been used as a proxy for the level of economic activity in respective High Streets/town centres. Total employment in Tees Valley high streets fell by 12.7% (down 4,260) between 2015 and 2018. Employment in non-high streets fell by a similar amount in numerical terms (down 4,060) but in percentage terms the decline was far smaller at just 1.7%.

Market Failures

16. The economic back story of the area leads us to four main market failures which Freeport status, along with other investments led by TVCA, seeks to address. The four are: financial viability gap, coordination, demonstration effect, and labour market constraints.

Financial Viability Gap

17. Public sector funding is required to address the financial viability gap caused by the need to remediate highly contaminated land. The regeneration of which will enable the subsequent commercial development of the area. The public sector is also required to coordinate the scale of intervention and funding required.
18. The financial viability gap extends beyond the industrial sites. It permeates throughout the area's economy. This means that the private sector will not invest due to the underlying market failures of:
    - **Commercial Viability:** Low rents and high capitalisation yields in the industrial and office markets compromise the viability of projects and discourage investment.
    - **Availability of Development Finance:** Bank Lending terms are restrictive due to the other market failures and high level of risk attached to contaminated sites.
    - **Developer Financial Ability and Appetite for Risk:** There are very few local developers with the level of equity required to commence a development and the returns that developers with equity could receive from other investments/developments outside Tees Valley may be more attractive or represent a lower level of risk.
19. The £25m seed capital sought by this business case is required to accelerate the preparation of the Teesworks tax sites, ahead of commercial demand for the site. This will help to stimulate the demand for the site by being ready for inward investors to immediately locate. It is estimated that the earlier development of the site could reduce the time it takes to achieve the benefits, compared to without market intervention as initially indicated in the STDC Masterplan.
20. The Freeport levers of seed capital, tax benefits and customs benefits are crucial. Seed capital will reduce the size of the viability gap of the remediation costs, and the tax and customs benefits will close the remaining viability gaps for new value-adding businesses. The benefits of Freeport to businesses located on the site are covered in section 1d.

Coordination

21. The public sector coordinating role is key to the holistic regeneration of the Tees Valley to overcome the economic and social deprivation issues outlined above.
22. Tees Valley, and the wider North East, has strengths in the advanced engineering and process and chemicals sectors. Despite these cluster strengths, the existing supply chains are currently constrained as they are

fragmented, with many higher value adding functions currently being delivered out of the UK. Reshoring will address this, but there will be a need to connect to the indigenous supply chain.

23. To embed the supply chain opportunities and deliver benefits to the Tees Valley, coordination of business with support and the knowledge of universities, facilities and industry institutions is required. TVCA leads the public sector and works in target growth sectors to overcome supply chain constraints, by coordinating investments in manufacturing centres and research infrastructure, and testing new technology and innovation.

24. TVCA including the Freeport, coordinates the inward investment effort to raise the profile of the Tees Valley internationally to attract the scale of investment required to level up the economy, in the clean tech growth sectors desired to contribute to delivering Net Zero, and make use of the assets available (see Value Proposition section 1c).

25. This inward investment activity will increasingly target novel clean technology solutions. The novel solutions will require knowledge transfer of new products and processes to the existing local business base so that they can be a part of the emerging supply chain opportunities. Coordinating activities are needed to enable the smaller businesses to compete for supply chain contracts and support to invest in upskilling and retooling/reprocessing to meet the requirements further up the supply chain.

26. The public sector coordination effort influences through its procurement, local engagement strategies with SMEs in the supply chain, and outreach with local people, seeks to maximise the trickle-down benefits from regeneration investments into the local economy, to begin to address the deprivation impacts felt by the local population.

27. Wrapping around all the above, the Freeport provides an additional lever: its brand. Freeports are internationally recognised, and the brand will be used to raise the profile of the Teesside Freeport proposition, which all the members promotional efforts will be a co-ordinated under and can work together to attract inward investment to the area. The Teesside Freeport brand (shown in 5c) has been developed to work with members own brands.

Demonstration Effect

28. The coordination of investment and activities to regenerate the economy serve as a kickstarting demonstration of the potential available in the Tees Valley. This is particularly important given the lack of local developers with the capacity to make the significant investments required to capitalise on the opportunities in Teesworks and Wilton.

29. Investing in remediation of the contaminated sites demonstrates the land is available to investment; the inward investment activities to attract companies to the sites stimulates interest from the supply chain to also invest.

30. The provision of the Freeport levers also demonstrates the desire to attract and support inward investors.

31. Taking the lead to demonstrate the validity of new products and processes to potential entrants to the supply chain stimulates new markets and attracts new businesses.

32. The additional lever of the Freeport brand demonstrates the coordination of the Teesside value proposition to international investors, as well as improved commercial viability from the financial levers.

Labour Market

33. The labour market suffers from an oversupply, a legacy of attracting workers to the area in previous boom employment times whose families have stayed in the area.

34. As well as a Small Business Base and Low Business Density this is compounded by Low Employment Density (Too few jobs) this is shown in the low level of jobs and the high level of economic inactivity in the region. The jobs that exist are Low Productivity, and there are too few higher value adding jobs in fast growing sectors.

35. To address this over supply of labour and reduce the loss of brain drain of local talent, new businesses must be attracted to the area to create and retain jobs. The existing labour market of Tees Valley has the capacity to fill the jobs generated by the inward investment brought about by Freeport from the existing economically active workforce, including the people available from sectors undergoing structural change. There is also a pipeline of new workforce leaving education and the underutilised resource of people further from the labour market (the economically inactive). More detail on the latter cohort with protected characteristics is provided in section 1h, Equalities and its associated Annex O.

36. The Skills Plan provided in Annex N and referenced at 1di8 provides details on the supply of labour, population demographic, the skill levels, and the demand for labour. The data is used in the design of the TVCA Employment & Skills Strategy. The Skills Plan demonstrates TVCA's commitment to ensuring that the Freeport makes use of the skills of Tees Valley residents of all backgrounds and ensures local people benefit from the opportunities it brings.

37. Enabling the labour force to access jobs is included in the public transport plans, improving cycling, bus, and rail connectivity. The expansion of available housing is also enabling investments to attract and retain the workforce.

Theory of Change

Teesside Freeport Theory of Change

Using proposed Freeport powers as a catalyst for subsequent commercially driven infrastructure investment, the aim is to create an internationally recognised Net Zero Cluster (Application of clean technology including offshore wind, hydrogen and decarbonisation, circular economy, and the application of industrial digitisation) in the Tees Valley. This will at once establish a mechanism for providing the earlier achievement (brought forward from 2050) of Net Zero targets by the region's industrial base and significantly contribute to the UK's overall energy target. At the same time this will regenerate large tracts of underutilised land, physical assets and provide decades of employment opportunities for workers across the wider Northern Region.

The full utilisation of specific Freeport powers to the proposed Teesside Net Zero Cluster will bring forward and expand leveraged investment of £14billion (£3.2billion in Tees Valley), output by 2030 (assuming full occupancy of the land) and create and sustain 41,780 net direct jobs (Vivid Economics Estimate) whilst significantly reducing the cost of the achievement of Tees Valley and UK Net Zero targets.

Building on existing industrial competencies in advanced manufacturing, chemicals and process industries, the Net Zero Cluster will diversify the Tees Valley economy by adding, through targeted inward investment, fast-growing export orientated sectors. By further enhancing the region's innovation ecosystem in the target sectors, it will also provide the mechanism for promoting cross sectoral knowledge transfer and take-up of decarbonisation solutions by the region's existing industrial base, thereby supporting the Tees Valley Zero Carbon target.

The theory of change summarises the strategic importance of Freeport status to achieve Net Zero. Tees Valley aims to become the exemplar region for Clean Energy, and to attract significant international inward investment.

Strategic Fit

38. Establishing the Freeport enables the delivery of three nationally important and interlinked strategies by providing the conditions to create a Net Zero Cluster. The strategic policy objectives are:
    - Net Zero 2050;
    - Industrial Strategy; and
    - Offshore Wind Sector Deal (part of the wider Clean Growth Grand Challenge in the UK Industrial Strategy).

39. Annex P 'Links to Strategic Objectives' provides detailed links to National Strategy and the relationship between the application of the Industrial Strategy grand challenges, to reduce emissions and achieve Net Zero, and Clean Growth, through the expansion of the offshore wind sector, and the energy transition from oil and gas, in meeting energy demand.

40. Whilst the Freeport provides a means to deliver on the National Strategic Objectives it enables Tees Valley to attract the scale of inward investment necessary to create the quantum and type of jobs needed to transform the region.

41. Freeport status is the correct response as it is the accelerator to the engine of the Tees Valley economy: it will act as a catalyst for large scale inward investment to the region to overcome the market failures and create a virtuous investment cycle where subsequent commercially driven infrastructure investment combines to create an internationally recognised Net Zero Freeport. Freeport status enhances the ongoing economic growth activities of TVCA, the large scale works at Teesworks in addition to the regeneration activities in TVCA's Strategic Economic Plan. This includes Transport, Skills, Innovation, Inward Investment and Place development.

42. The Freeport overlays the existing work of TVCA, the success of which is dependent on government policy continuing to support expansion of key sectors and continuing to support devolved arrangements. Fuller narrative of Constraints and Interdependencies is provided in Annex Q.

43. The success of this proposal requires DLUHC's decision to support with acceleration of site remediation by providing the £25m Seed Funding. Ongoing central government support in growing the Offshore Wind industry with Contracts for Difference stipulating the 60% UK content will support our ambitions to attract more offshore wind investment. Continuing to drive forward chemical industry innovations in growth sectors such as developing the applications for Hydrogen. The Tees Valley Net Zero Cluster is dependent on Government support for the Carbon Capture Utilisation and Storage facility, which contributes to delivering Net Zero.

1b – Target Markets

44. The proposed Freeport strategically focuses on three sectors, to be the essential catalyst to the development of a Tees Valley Net Zero Cluster[10]. The sectors are:

- Clean Energy (including Offshore Wind Assembly and Manufacture);
- Chemicals and Materials Processing; and
- Bio Life Sciences (Advanced Manufacturing).

45. The following table provides an assessment of the scale of economic opportunity related to the three target sectors which are of high value and are priorities for TVCA.

	Clean Energy (incl offshore wind)	Chemicals and Materials Processing	Bio Life Sciences (Advanced Manufacturing)
Scale of Opportunity	A 17% cumulative annual growth rate starting from 22GW in 2018 and rising to 144GW in total installed capacity by 2030 of global offshore wind. In the UK, this could see offshore wind contributing up to 30GW of generating capacity. Building up to 30GW of offshore wind by 2030 could account for over £40bn of infrastructure spending in the next decade. **This equates to circa £2.5bn of annualised demand over the next ten years.**	£6.2bn materials market, principally focused on the carbon fibre market. Future carbon fibre demand cannot be met by the current UK supply base, with the need to import up to £3.4bn of carbon fibre predicted by 2030. **This equates to circa £300m of unmet annualised demand over the next ten years**.	The global plant-based protein market, in which Teesside is strong, is estimated to be valued at $10.3bn in 2020 and is projected to reach $15.6bn by 2026, recording a CAGR of 7.2%, in terms of value[11]. European plant-based protein market growth 2021-2026 is expected to reach valuation of $2.6bn. **This equates to circa £400m of unmet annualised demand over the next five years across Europe in this subsector alone**. It should be noted that the UK is at the forefront of the growing biomanufacturing sector which is expected to grow to £432bn by 2026 and is seeing CAGR 7.4%.
Cluster Stage	**Infant industry - need to address fragmented indigenous supply chain through import substitution.** There is a significant opportunity for import substitution across the entire supply chain, as future UK offshore market has a requirement for 60% local sourcing and is presently at 20%	**Mature sector, with established technology.** Although the Wilton site in Teesside is the largest single site chemicals cluster in the UK, it is focused on low-value bulk chemicals which are price sensitive. **There is an opportunity for new technology/materials solutions to the UK foundation industry and offshore wind sector, through the provision of clean technology solutions.**	**Mature sector, with established technology.** Although advanced manufacturing is the largest cluster in Teesside (amounting to a combined supply chain of circa 1,900 enterprises) these cut across traditional manufacturing, there is an opportunity for utilising clean technology approaches and biologics

[10] *Each of the following sectors includes enterprises involved in the main production and assembly processes, but can also mean activity in enabling functions such as logistics and professional services, which solely meets wider onsite Freeport need*

[11] https://www.researchandmarkets.com/reports/5264248/plant-based-protein-market-by-source

	Clean Energy (incl offshore wind)	Chemicals and Materials Processing	Bio Life Sciences (Advanced Manufacturing)
Opportunity for Added Value	There is an identified gap in existing provision, this will initially be a low-tech labour-intensive sector, which move into higher value-adding functions over the next decade.	This sector is currently medium value-adding, there is an opportunity to move into the provision of a higher value adding/later stage intermediate goods. This would sustain existing jobs and attract several higher value adding jobs.	The sector is currently medium value-adding, there is an opportunity to move into the production of final goods and out of lower value adding intermediate goods. This such sustain existing jobs and attract several higher value adding jobs.
Export Orientation/ Supply Chain Integration	Import substitution, opportunity to develop indigenous supply chain	Combination of import substitution for other Teesside and UK supply chains, but also increasing opportunities in wider European aeronautical and automotive sectors	Emerging global market, presently a few, significant players, but opportunity to develop local critical mass, through the co-location of a variety of higher value adding back-office functions for global players.
Source: *DIT High Potential Opportunity Offering*			

46. Cumulatively the three sectors are of a scale to make a material impact to the UK and Tees Valley economies, targeting as they do inward investment opportunities of circa £3-4bn over the next ten years. This is supported by both analysis from DIT and Ernst and Young in their latest Attractiveness Survey June 2021, which identifies that two of the three most competitive inward investment sectors for the UK are: Healthcare/Biologics (34%) and Cleantech (19%). The same report goes onto identify the key factors (by proportion of respondents) attracting inward investment in these sectors including:

- Increased support for R&D: 41%
- Providing support for skills and job creation: 34%
- Reducing tax levels: 30%
- Investment to accelerate the UK's move towards a Net Zero carbon economy.

47. Further sectoral analysis has been provided to all Freeports from the Freeports Hub. This resource is referenced in Annex K, Inward Investment Strategy. Of particular relevance to Teesside are Offshore Wind, Chemicals and Hydrogen.

48. Teesside Freeport has already attracted SeAH to the TOMC. The blade manufacturing facility will locate here creating an estimated 750 direct jobs and a further 1,500 in the supply chain. Increased local sourcing from an enhanced UK supply chain for the provision of offshore wind turbines and installation would potentially retain an additional c£900m per annum which would otherwise be sourced from European and South Korean supply chains.

49. The global scale of the Teesside Freeport offer is expected to attract more offshore wind manufacturers to the site and the Freeport is in advanced discussion with another potential investor in this sector. This would support the development of the next generation of offshore wind projects, boosting the UK's offshore and net zero ambitions, meeting local content requirements of the CfD auction process and creating jobs for local people. Possible opportunities are for manufacture of offshore wind towers, and substructures such as steel monopiles, steel jackets, tripods and suction cans. There is demand in the supply chain for cabling which would require production expansion in the region, as well as longer term market development of decommissioning and recycling.

1c – Value Proposition: Why Tees Valley

50. This section provides an overview of our tax and customs sites, target sectors and clusters to show how the available space, logistics provision from our ports and knowledge and industry expertise are all present and combine into our value proposition.

51. The three sectors, all advanced manufacturing related, have several basic requirements in common which any emerging cluster must accommodate. The following table identifies the typical needs of inward investors and states how these needs are met. More details on the Skills, Innovation, and Trade and Inward Investment Strategies are in Annexes N, L and K respectively and summarised below in 1di6,7&8.

Opportunity	Description	The Teesside Freeport 'Offer'
Size of Site	• Need for large-scale site which can accommodate the co-location of several stages of the supply chain.	• Three sector-specific tax zones. These are in close vicinity to facilitate ease of movement of people and goods across a core development area c600 hectares, but with the potential to extend in subsequent phases to an additional 1,000 hectares (principally on the wider Teesworks site).
Flexibility of Use	• The site must have permission to accommodate potentially hazardous activity (well away from residential areas). • The site must have ready-to-access parcels of land of varying sizes capable of accommodating staged inward investment from either one firm or co-located supply chain.	• The three sites have been master planned to accommodate all forms of manufacturing activity and are specifically tailored to meet the needs of hazardous production processes.
Sourcing of Raw Materials/ Intermediate Goods	• The site must be adjacent to (preferably) local sourcing (or) ease of international access (via a port or road and rail network) for low-value, high-volume raw materials. • Circular economy sourcing from a co-located firm would be the preferred option, facilitating ease of transfer and the opportunity to make localised pricing arrangements.	• The Teesworks site is south of the River Tees and is well served with a range of port facilities including bulk and container. The quaysides give direct access to the river and the North Sea. • The site is serviced by passenger and rail networks, and trunk roads link to north south road networks to the rest of the UK. • Wilton has its own private road access to the river and pipelines under it to the north bank of the Tees
Energy Supply	• The site must be adjacent to (preferably) local sourcing (or) ease of international access (via a pipeline or port) for affordable and sustainable energy sources. • Private wire sourced from a sustainable local producer would be the preferred option, facilitating peaks of on-site demand and the opportunity to make localised pricing arrangements.	• Wilton Centre benefits from private wire network that is not dependent on the National Grid • Private Sector investment in biomass renewable energy is on site at Wilton, and Europe's largest energy storage facility is to be built • The White Tail Power Plant and other Energy Intensive process industries can use the CCUS facilities to decarbonise their operation. • Adjacent to the River Tees is the MGT biomass power plant
Education, Employment and Skills	• Given the wage and skills profile of the sector, the site must be within a 30-minute commuting time of both a direct supply of labour and main training providers. • There would be a preference for on-site training for employees.	• The residents of the compact Tees Valley area are within the travel to work area of the Freeport, with a working age population of appx 400,000 • The Teesworks Academy provides facilities on the Teesworks site. The wider TVCA skills agenda provides access to range of training facilities and providers which can be flexed to meet employer requirements • Redcar's Town Deal is supporting the College's expansion to include a Clean Energy Training Centre
Innovation Ecosystem	• Although the three selected sectors are not research intensive, there is a need for innovation support, particularly related to adapting to localised regulatory obligations and ongoing improvements to products and processes. Therefore, the local innovation	• Five Innovation Centres are co-located around the Freeport area. • A new Net Zero Industry Innovation Centre is being built, to be run by Teesside University, providing clean technology support to all sectors. Existing centres include The Welding

Opportunity	Description	The Teesside Freeport 'Offer'
	ecosystem must be able to provide tailored support for each of the three sectors and have on-site testing facilities of standard demanded by globally competitive firms.	Institute (TWI), covering the offshore and hydrogen sectors, Centre for Process Innovation (CPI), including the National Biologics Manufacturing Centre which supports the life sciences, chemical and bio manufacturing sectors and the Materials Processing Institute which supports the steel sector. • These innovation centres are also supported by a number of university networks. In addition, we propose to develop the Frictionless Trade Centre within the Freeport.
Supply Chains (forward/ backward)	• The site must be close to main markets, to reduce time and environmental related costs of delivery.	• The site has space to co-locate with supply chains and is well connected by sea road and rail.

***Source:** DIT High Potential Opportunity Offering and E&Y Attractiveness Study*

52. **The Teesside Net Zero Cluster** - The staged co-location of the three sectors will have a cumulative impact, of particular importance are the following cluster benefits:

Circular Economy/CCUS: The cluster is based on the idea of an integrated circular economy/industrial symbiosis model, shown below, where the by-products of one process are used as the raw materials of another product. This is most obvious in two areas:

- Recycling of decommissioning steel.
- Reuse of surplus heat.

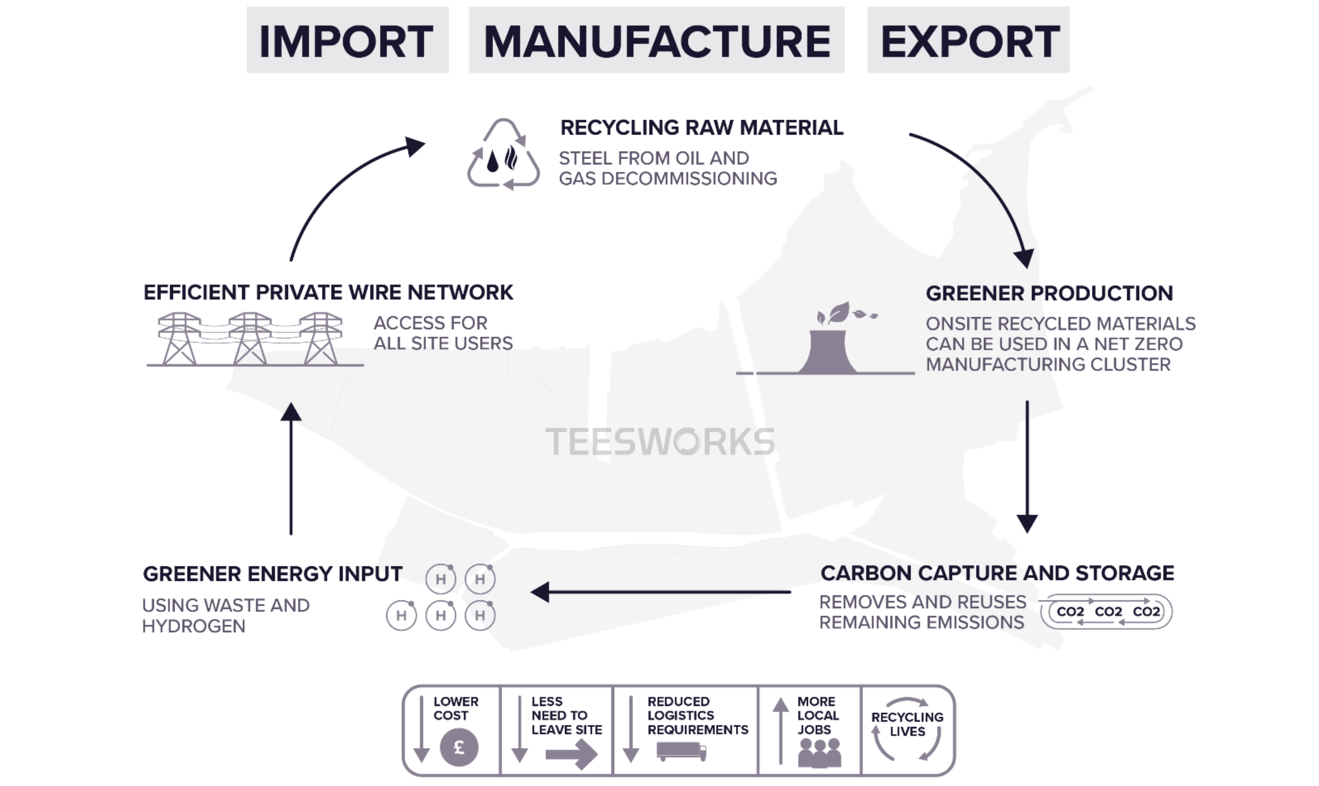
Assuming the standard 3.3 MW wind power plant will have the following characteristics:

- 84% of materials are steel and iron.
- The wind turbine will be paid back 37 times over its economic life.
- A significant reason for this, is that at least 83% of each turbine is sourced from recycled materials.

The benefits of recycling the steel alone for the turbine are:

- A reduction of 15% in its global warming potential.
- A 10% improved energy payback.

Between the two there could be significant costs savings of circa 20-25% on production costs related to offshore wind units.



CCUS: Net Zero Teesside (BP) is a Carbon Capture, Utilisation and Storage (CCUS) project, based in Teesside in the North East of England. It aims to decarbonise a cluster of carbon-intensive businesses by as early as 2030 and deliver the UK's first zero-carbon industrial cluster. Working in partnership with local industry and with committed, world class partners, the Project plans to capture up to 10 million tonnes of carbon dioxide emissions, the equivalent to the annual energy use of over 3 million UK homes.

This CCUS project is critical to the success of Net Zero in Teesside, and therefore the success of the BP led consortium in the Phase 2 competition for the Cluster sequencing for carbon capture usage and storage (CCUS) deployment is critical.

53. In summary, our selection of target markets and Tees Valley's existing capabilities confirms:
    - That the selected sectors are of a scope and scale that warrants intervention;
    - That the Tees Valley has existing strengths in these sectors which lends itself to the attraction of further investment to the region and which will have a net benefit to the UK economy as a whole; and
    - That the type of Freeport powers provided at Teesside will add to the propensity to invest in both the UK and specifically the Tees Valley.

54. The following table assesses the strategic fit of the available Freeport levers to the needs of the three targeted sectors. It shows how the proposed Freeport offers financial assistance to address all four key asks of potential inward investors. This is how the Freeport adds to Teesside's existing value proposition:

	Clean Energy (incl Offshore Wind)	Chemicals and Materials	Bio Life Sciences (Advanced Manufacturing)

Customs Powers - Trade Inversion	Given the higher incidence of tariffs of component parts compared to tariff on final product and the ultimate destination of the completed product, the North Sea – outside UK sovereign water – means that customs related Freeport powers can bring significant financial advantage.	Given the higher incidence of tariffs of component parts compared to tariff on final product means that customs related Freeport powers can bring significant financial advantage.	
Support for Staff Recruitment	Highly labour intensive	Few but highly paid staff	Initially highly labour intensive, particularly in foodstuff subsection
Access to Affordable Land (Reduced Business Rates)	Large-scale site needed, but not fully utilised due to regulation		
Capital Investment and Fit-Out	Highly capital intensive in site formation stage.	Need for specialist fit-out.	

Source: *UK Trade Policy Observatory and case study from potential inward investor*

1d. Interventions and levers

1di. Freeport Levers

55. This section sets out in summary how and where each Freeport lever will be deployed and any interactions. This demonstrates why Freeport is so important to Tees Valley and enhances the ongoing regeneration efforts. The Seed Capital accelerates the land remediation and site preparation ready for inward investors. Tax levers, business rates and other reliefs add commercial benefits to investors, and business rates generated are retained locally for improvements in the local area. Existing planning levers are in place to ease the process of developing the land for occupation.

1di1. Seed Capital

56. The Seed Capital contributes to addressing the market failure of the significant remediation cost, and provides the digital platform required for efficient operations and future innovations. It will be used as follows:

Proposed Use	£
Land remediation and site preparation on 130 ha on Teesworks West tax site	21,500,000
Installation of full fibre and 5G digital infrastructure to enable Teesside Freeport connectivity, and applications to increase productivity.	3,500,000
Total	**25,000,000**

57. These focussed schemes have been selected to support the Freeport to realise its objectives bringing forward remediation required for the first tax site to be occupied. Once occupied the capitalisation of leases on the land will provide funding to unlock the next phase of remediation.

58. These investments have been selected because the region’s Skills and Innovation ambitions are already funded by TVCA through its devolved funds, in its role as Combined Authority. How this is achieved is set out in the Skills and Innovation Annexes, Annex N and L respectively. Therefore, seed funding has not been allocated for these ambitions.

59. The provision of above (for 5G) and below ground (fibre) infrastructure will provide the connectivity required to meet investors requirements. A 5G connected test bed will be established which will be an enabler to validate technologies vital for the implementation of frictionless trade across the physical and digital space.

60. Other funding is being provided by the private sector to support the 5G project. [redacted]

61. For the Freeport, the 5G network will offer a state-of-the-art digital infrastructure network based on innovative 5G devices. The devices bring together low and medium power technologies and are expected to be the first operational deployment of innovative technology. The network will be built out from the TV5G Core Network which is already funded and approaching delivery phase. The seed funding is required to ensure:

    - Timeliness: the connectivity must be available in time to support the Centre for Digital Trade and Innovation (as detailed in Section 7); and
    - Delivered in advance to provide supply to stimulate demand
    - Unified: a consistent unified offer and inter-operability of technology across all sites
    - Coordinated – a holistic roll out, not offered

62. businesses and Services, can operate on a unified platform in part or holistically. This presents huge opportunities for Digital Trade, Asset tracking, twinning and Security amongst others. Funding this co-ordinated approach, outside of a seed funding approach, would prove extremely challenging on a timing basis.

63. The seed funding will enable 5G connectivity at, and between, key Freeport locations. This will include digitally bonded corridors and Test-bed locations. Indicative projects for the seed funding are to provide infrastructure at Teesside International Airport which will enable digital test bed facilities, and also provide seed gap funding for a infrastructure for ongoing commercial development with Sembcorp at Wilton International.

64. The TVCA Digital Strategy makes it clear that digital capability and its application "is critical to the delivery of projects that are revitalising and regenerating our region. It allows the swift transit of goods and people to, from and within the UK's largest Freeport; it enables the carbon capture and hydrogen fuel projects which will allow us to deliver the UK's first truly decarbonised industrial cluster; it allows industrial digitalisation to drive home our economic strengths in Advanced Manufacturing, Chemical & Process and Clean Energy. It supports a shift from innovative projects to innovative companies, boosting prosperity and productivity in every part of our economy." [12]

65. TVCA Digital Strategy was approved by TVCA Cabinet and adopted in April 2022. The first six months to deliver the strategy comprises the consultation phase which informs the implementation plan. Workshops led by the TVCA Digital Team are currently taking place to understand needs and priorities of key stakeholders including Freeport, Airport and Marine Port stakeholders. The outcomes of these workshops will be incorporated into the Implementation Plan by October 2022. Then the plan will move into confirming project selection and delivery.

66. The £3.5m seed funding is subject to TVCAs devolved funding processes, a HM Treasury Green Book business case will be developed for each project, to ensure options are considered fully, and best Value for Money is achieved. This will be appraised by the TVCA Assurance Team in accordance with the TVCA Assurance Framework.

Milestones	**Date**
Freeport Stakeholders Digital Workshops	September 2022
TVCA Regional Digital Implementation Plan Developed	October 2022
Project Shortlisting	December 2022
Seed Project Commence Business Case Development	January 2023
Business Case Approval	June 2023
Seed Project Commence Delivery	July 2023

[12] *Source: Tees Valley Digital Strategy – v3: Foreword*

67. The seed funded activities contribute to the realisation of Freeport objectives by accelerating the remediation and in effect pump priming the release of further funds for investment and providing an expected utility to meet investors basic requirements. The digital infrastructure will also support the delivery of our ambitions and drive the success of our key industry clusters. In addition will support our transition to Net Zero, including clean energy production and advanced manufacturing sectors, support delivery of Borders 2025, by trialling test beds of efficient 'frictionless' trade methods.

68. The initial plan to develop land over a 10+ year assumed funding would be based on revenues generated from previous plots. To accelerate the remediation of land ready for tenants within the five-year Freeport tax benefit timeframe requires significant upfront funding. The grant allocation provided by HMG to kick start development will be exhausted quickly, bringing forward the need to transition to a private sector investment model earlier than originally forecast. The land purchase option was identified as the most efficient way to access this upfront funding. This transfers risk and reward to the private sector, thus incentivising the delivery of the site redevelopment within the five-year time period.

1di2. Tax sites

69. The levers available on the tax sites help attract investment. The tax sites are: Teesworks East, Teesworks West, and Wilton International. The total land area comprises c600 hectares. The layout of the land included within the sites are confirmed by the maps at Annex E. These have been approved by HMRC at the OBC stage, and Freeport status has been granted and passed into law.

	Teesworks East	Teesworks West	Wilton International
Strategic Vision	25-year vision for a world class industrial site heavily focused on clean energy and advanced manufacturing		Leading provider of sustainable solutions supporting the UK's transition to Net Zero
Target / End User	Clean energy, offshore wind, chemicals and materials, advanced manufacturing.		Energy intensive industrial businesses
Policy Alignment	All sectors contribute to achievement of the Net Zero Cluster		

70. Business located on tax sites in a Freeport benefit from the businesses tax reliefs summarised in the box below.

Relief	Description	From	To
STDL	Purchase & Lease	Designation	30 Sept 26
ECA	100% first year allowance (P&M)	Designation	30 Sept 26
ESBA	10% rate of SBA for 10 years	Designation	30 Sept 26
NIC	Zero rate of secondary NIC1 on new hires (£6.3k cap over 3 years)	6 April 22	5 April 26
Business Rates	100% relief from business rates on SIC specified business premises within Freeport tax sites. (Up to 5 years of benefit)	1 Oct 21	30 Sept 26

71. The potential benefit to the occupants of the tax sites from these time limited benefits is provided in the financial calculations in Annex Mb. The methodology applied and analysis has been provided by the Freeport Hub. This was used to respond to Critical action 4 following the submitted OBC.

72. The information summarised in the table below has been calculated by the Freeport Hub. It is estimated that tax benefits across the Freeport designation period will total £287m in present value terms. The primary drivers are business rates and NIC savings which deliver over 90% of these benefits in combination.

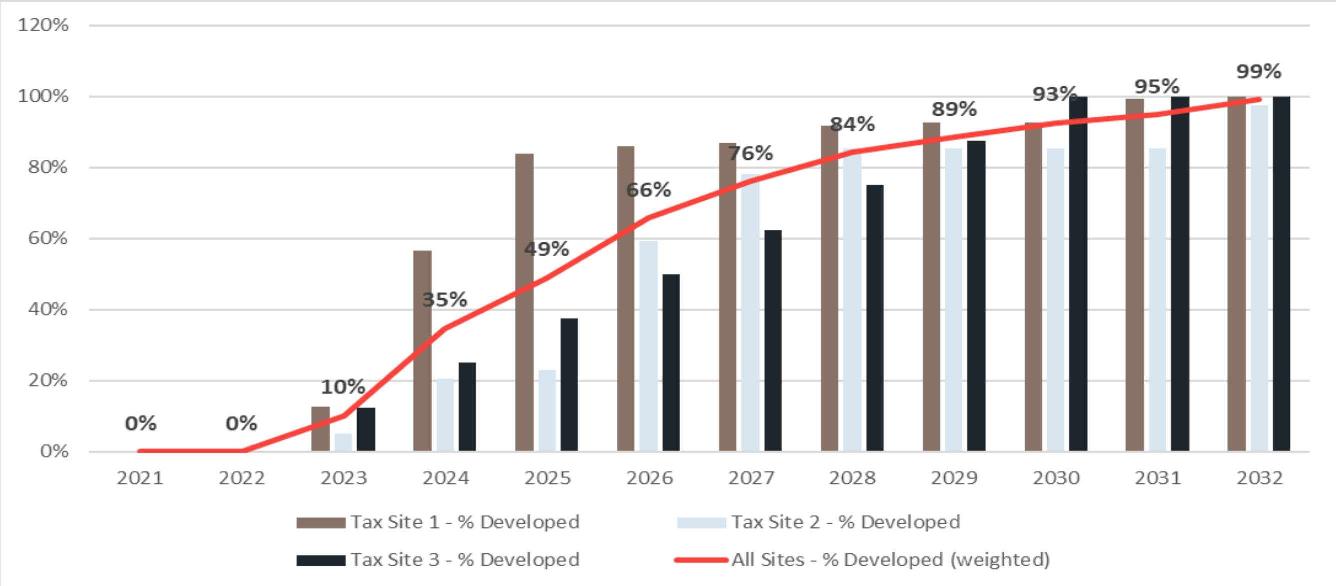
Tax Lever £m	Tax Site 1 Teesworks West	Tax Site 2 Teesworks East	Tax Site 3 Wilton International	Total £m
Business Rates Relief	49	35	35	120
Structures & Buildings Allowance	2	1	1	3

Enhanced Capital Allowance	8	4	5	17
National Insurance Contributions	63	44	41	148
Stamp Duty Land Tax	2	1	2	5
Total				**293**

Source: *Annex Ma Table 1 Summary of Teesside Freeport Tax Benefits £m Present Values; Calculations in Annex Mb*

73. Full details of the methodology used, and calculation tables are in Annexes Ma and Mb and have been provided by WSP under the Freeport Hub. The following assumptions have been made to underpin the potential benefits to business, and the corresponding 'cost' to HM Treasury.

- The assumptions used in this analysis reflect the assumptions in the Vivid Economics model underpinning the OBC however it should be noted that the Vivid model reflects the entire life of the Freeport. The analysis of tax benefits is timebound and reflects the realistic plan of development up and until the incentives can be drawn
- Due to the timebound nature of the tax benefits, a plan has been prepared which reflects the requirements of the 3 market sectors and a realistic a plan of the development footprints which can be delivered per annum has been produced.
- Each of the footprints have been categorised into B1, B2 and B8 classification to support the assumptions for rental levels, construction & investment in plant, stamp duty, jobs density and business rates.
- A non-linear profile of site development is assumed between 2023 and 2030. The precise timings at which each site is developed and brought to market impact both the overall scale of the tax benefits (i.e., earlier delivery means more years' benefit via levers such as business rates) as well as the present value of static / one-off benefits (i.e. an SDLT saving in 2023 is worth more in present value terms than the same real terms benefit received in 2025). Our best estimates are set out in the chart below; in practice these will be subject to market conditions and commercial negotiations.



Source: *Annex Ma Figure2 Teesside Freeport Tax Site Development Profile*

74. The calculations have been refined since those modelled by the Freeport Hub to respond to the OBC critical actions. The time period in this model is to 2030 (the previous modelling extended to 2032); the business rates relief has been limited to 5 years as the current freeport policy allows. The calculations have been refreshed for this FBC to reflect the timing and scale of the SeAH investment. The impact overall is a more realistic estimate of the benefits to site occupants and represents a reduction in the cost to the Treasury to that provided previously. Full details of the updates are in the Waterfall Analysis sections of Annex Ma.

75. The table below illustrates the business rates relief granted on each site as the sites develop out. The methodology and detailed modelling are provided in Annexes Ma and Mb respectively.

Tax Site Name	10yr NPV	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Tax Site 1 Teesworks West	49.4	0.0	0.0	1.3	6.7	9.8	10.0	9.8	7.9	3.5	0.3
Tax Site 2 Teesworks East	35.5	0.0	0.0	0.4	1.8	2.4	5.9	7.0	7.2	5.7	5.0
Tax Site 3 Wilton International	35.0	0.0	0.0	1.4	2.6	3.8	4.9	5.9	5.7	5.5	5.3
All Tax Sites	**119.9**	**0.0**	**0.0**	**3.1**	**11.1**	**16.0**	**20.8**	**22.8**	**20.8**	**14.8**	**10.6**

Source*: Annex Ma Table 2 - Teesside Freeport Business Rates Relief, £m, Present Values Calculations in Annex Mb*

1di3. Retained Business Rates

76. Retained business rates are a key financial lever provided by Freeport status and funded by HM Treasury, where rates relief is granted to the occupying business. The lever allows the Local Authority to retain business rates locally, rather than contribute to the national pot. The income generated is to be used to further the objectives of Freeport, for example, to remediate and develop other vacant land, to provide additional enabling infrastructure and support the available local workforce, which in turn catalyses inward investment and deliver regeneration.

77. All business rates are retained locally for a period of 25 years under the Freeport regulations compared to 50% being transferred to the national pool under normal circumstances. This additional retention represents the Freeports benefit to local authorities, and the liability to central government for the purposes of this analysis, tax sites 1 & 2 retained under Business As Usual with tax site 3 (Wilton) retention being additional under the Freeports scenario only.

78. Under the current HMG funding model for Local Authorities, the LA receives 50% of the business rates receipts and it is understood government is proposing revising the model to increase LA receipts to c70% in the short term.

79. The analysis assumes no change to the business rate funding model.

80. It is important to note that in Tees Valley, business rates relief as a lever is important for the potential investor, however as the retention of 100% of rates income pre-exists with the Development Corporation status on Teesworks, the scale of additionality from this lever is not as large as it would be for other Freeports. The beneficial outcomes from retaining business rates for local investment in regeneration will still be achieved. The addition of Freeport status to Tees Valley serves to accelerate the take up of sites and the additional benefit of this is shown in the graph below.

81. The following paragraphs explain the specific arrangements already in force on the tax sites which have implications on the additionality of the rates receivable which is attributable to Freeport status.

Tax Site Name	Without Freeport		With Freeport	
Teesworks West	STDC 50%	RCBC 50%	STDC 50%	RCBC 50%
Teesworks East	STDC 50%	RBCB 50%	STDC 50%	RCBC 50%
Wilton	Central Government 50%	RCBC 50%	RCBC 50%	RCBC 50%

82. The two Teesworks tax sites are on Development Corporation land. When the Development Corporation was created, Government allowed 100% of business rates generated to be retained locally, and these are shared 50:50 between RCBC and STDC. The agreed use of the business rates generated from Teesworks and paid over to STDC, has been set out in section 5.2 of the STDC Regeneration Business Case which precedes this business case. In the STDC business case, it is stated that TVCA will borrow against business rates income, along with raising capital against leases granted on the sites, towards the cost of financing the development of the site. The financial powers devolved are governed by the TVCA Assurance Framework, which meets the requirements of the National Guidance published by MHCLG (now DLUHC) and covers all departments including MHCLG, BEIS and DfT.

83. To determine the benefit available from this policy lever, it is assumed the statutory instruments applicable in establishing the Development Corporation are superior to the Freeport policy. Consequently, the use of retained business rates from the Teesworks tax sites remains as set out by the STDC Regeneration Business Case which has similar objectives associated with regeneration and creation of jobs and can be used for furthering Freeport objectives in the STDC area.

84. STDC has agreed to the use of their income from retained business rates to be used for the operational overheads of the Freeport including:

- Funding of Freeport Marketing and Business Development
    - Brand and website development
    - Thought leadership
    - Cluster market development and positioning
- Freeport site reinvestment to provide growth and infrastructure
- Freeport Governance

85. As the statutory Freeport Board is a part of the TVCA group, it receives updates from the Strategy & Accountability for Public Funding Workstream led by the TVCA Group Director of Finance and Resources, it will monitor the delivery of the funding through the Freeport Governance policy.

86. The Wilton International site has a different agreement in place to the Development Corporation agreement. RCBC retains 50% of the business rates for the purpose of reinvestment in the borough. Freeport status on the Wilton tax site allows 100% of the business rates income to be retained locally, so this will generate additional income for RCBC. RCBC will invest these additional funds, following the process set out in Annex W - Retained Business Rates Investment Plan. The decision-making process involving the Freeport Board, ensures the investments deliver the Freeport Objectives to Promote Regeneration and Job Creation whilst aligning with RCBC's Strategic Place Development Plans. The impact of the additional investments will improve the quality of life of residents, and improve the desirability of the area, which adds to the attractiveness of Freeport for people seeking to locate their business, live and work in the area.

87. The table below summarises the additional business rates benefit to be gained from Freeport status.

Benefit	Value (£m)
Total Business Rates Generated	821
BAU retention	692
Freeport retention	821
Net Freeport retention	129
NPV of net retention	**77**

88. The additional business rate income is generated as a result of Freeport Status; it is required to be invested by RCBC to meet the following objectives:

- Promote Regeneration and Job Creation;

- National Hub for Global Trade and Investment;
- Create a Hotbed of Innovation

89. The decision-making mechanism is set out in Annex W and involves TVCA and RCBC continuing their established collaborative working to define proposals and develop projects using HM Treasury Green Book best practice. The Freeport Board and RCBC Cabinet must both approve the projects before funds can be invested. The local-made investment decision, managed by the existing Local Authority procedures and constitution, mitigates any conflict from commercial interests on the Freeport Board, in selecting the best use of public funds.

90. RCBC is one of the most disadvantaged local authority areas, due to the economic history of the area as mentioned in section 1a. To illustrate, DWP Stat Explore data from June 2021, Redcar & Cleveland GDP per head is £16,306, 49.6% of UK national average is £32,875. Tees Valley area is 72% of the national average at £23,815. As a consequence, the additional funding retained by RCBC, sourced from the Wilton International tax site, along with wider investments of TVCA and the Redcar Towns Deal funding, will contribute to place and community regeneration. This is additional to the work RCBC can already do with the existing funding they receive and would therefore not otherwise occur. This supports the attraction of inward investors by creating a place people want to live and work in. An indication of the type of investments prioritised by RCBC is the development of a Centre for Energy at Redcar & Cleveland College through their Town Deal which will improve the town's ability to attract investment and create jobs in the fast-growing energy sector and allow local residents to benefit. It will be supported by skills planning to identify and respond to employers' skills needs.

91. Further detail of activities within the above themes is found in Annex F, the letter from RCBC regarding their proposed use of Retained Business Rates. The Investment Plan for the additional funds is set out in Annex W.

1di4. Customs Sites

92. On 24th August 2022 HMRC provided the operator of the Primary Customs Zone (PCZ), Caspers, authorisation to be a customs warehouse operator. The first product flow of construction material (steel) was imported into the PCZ in September 2022. It has been de-vanned, and is held in the PCZ until it can be released to the UK market when the quarterly steel quotas are re-set. A second user of the PCZ is expected to follow, an importer of Rebar.

93. The proposed Customs Zones are listed in the table below, with a summary of their target markets. All sites are operational businesses.

94. For each operator there are two conditions that must be satisfied in their favour to successfully roll out the secondary customs zones. These are also listed in the two right hand columns in the table below. The first is to identify the commercial imperative for delivery, which will justify the investment in the customs capability and accreditation. To satisfy the second, we need to work with HMRC and Border Force to identify a realistic proposal for access and egress to customs sites for the thousands of employees taking up the jobs created. For these reasons, timescales for delivery of each site are not set in this business case.

95. From our ongoing stakeholder relationships, it has been identified that each potential customs site owner has different operating considerations for their sites. These are particular to the physical capabilities of their land, the scale, layout etc; their customer's requirements which differ depending on the type of goods involved; as well as the security, safety, and regulatory requirements particular to each site. Each site owner must review their own facilities and needs to determine whether it is worth the financial investment required to achieve customs accreditation. To illustrate, the Port of Middlesbrough may require 28 individual land parcels to enable existing business processes to operate within an effective customs zone. Therefore, there is no standard method to calculate the commercial imperative, and pragmatic proposals from HMRC et al, have yet to be agreed.

Customs Site & Target Markets	**Timescales for Designation**	**Rationale if not yet brought forward for designation**	
Primary Customs Zone: Teesworks West • Construction • Offshore wind	Designated Active	Access and egress issue	Commercial Imperative to be calculated
2M Group • Chemicals	Not currently being brought forwards for designation	✓	✓

Customs Site & Target Markets	Timescales for Designation	Rationale if not yet brought forward for designation	
Able Seaton Port • Oil & Gas • Offshore Wind • Marine Decommissioning	Not currently being brought forwards for designation		✓
Haverton Hill Shipyard (now part of Wilton Universal) • Offshore Wind • Hydrogen • Tidal & other green energy	Not currently being brought forwards for designation		✓
Liberty Steel Hartlepool • Carbon Steel Pipe Manufacture	Not currently being brought forwards for designation	✓	✓
LV Shipping • Logistics for: • Automotive • Construction & Mining • Energy • Maritime • Oil & gas • Petrochemical • Retail & consumer Goods • Steel • Utilities	Not currently being brought forwards for designation		✓
Port of Hartlepool (PD Ports) • Renewable energy: Offshore Wind • Oil & gas	Not currently being brought forwards for designation		✓
Port of Middlesbrough • Freight logistics: • Energy & renewables • Construction • Agriculture • Automotive • Waste	Not currently being brought forwards for designation	✓	✓
PD Teesport • Container Shipping • Dry bulk • Agribulk • Forest Products • Metals • Project Cargoes	Not currently being brought forwards for designation	✓	✓

Teesside Int Airport Northside 1
• Aviation Maintenance, Repair and Overhaul sector
  • Aircraft maintenance and refurbishment
  • Aircraft disassembly
  • Aircraft component testing and servicing
  • Aircraft re-branding
  • Aircraft conversions
• Airline supply sector
	In progress:
	28 month plan from submission of planning application
	
	Customs Shed built, meeting with HMRC mid February to progress authorisation process
		N/A	✓

Teesside International Airport Northside 2	Not currently being brought forwards for designation	N/A	N/A
Teesside International Airport Southside	Not currently being brought forwards for designation	✓	✓

Customs Site & Target Markets	Timescales for Designation	Rationale if not yet brought forward for designation	
Teesworks East Sub Zone	Not currently being brought forwards for designation	✓	✓
Wilton Universal • Renewable energy • Defense • Logistics	Not currently being brought forwards for designation	✓	✓

96. As the Freeport, including the Teesworks Primary Customs Zone, has now achieved active operational status, and the brand launched, we are able to aggressively market Teesside Freeport and identify the relevant opportunities made available at the Customs Zones. Ongoing work commissioned from the Freeport Hub, is creating case studies for different sectors, or goods, to illustrate the ways that customs benefits can be derived from the different levers available. This will enable the calculation of time and therefore cost savings and other financial efficiencies. This should result in delivering new customers which will eventually meet the commercial imperative, in ways relevant to each owner of each site.

97. One illustration, we have found through working with potential investors, that customs sites can provide cashflow benefits to customers and simplification of processes. What is also clear from the discussions, is that there is a lack of knowledge regarding customs benefits for businesses.

98. The PCZ will be brought to life when construction begins on SeAH Wind Ltd's Monopile Facility. The facility takes a 90-acre site on the South Bank area of the Teesworks West tax site. Construction begins in 2022 and manufacturing activity from 2024. When operational will bring in, over the South Bank Quay, c250,000 tonnes of steel plate imports and export c250,000 tonnes of Monopiles. This will be supporting c1,000 jobs in manufacturing and port operations.

99. Considering the development of the Quay, and the SeAH investment, the following analysis of potential customs benefit has been provided by the Freeport Hub:

Teesworks Primary Customs Zone

Teesworks will import construction materials for the construction of a new quay in the short term, and subsequently import materials for the construction of offshore wind farm components. We envisage all cargoes ultimately being dutiable, and therefore the benefits lie in delaying duties by a period of time, along with enabling larger scale imports which should allow greater purchasing power and shipping economies of scale. We are not sure exactly what the supply chains for either look like at this stage of development, and have therefore modelled a relatively generic benefits profile as per the process below.

Calculation Step	Assumptions	Outcome
Vessel DWT	30,000 tonnes	
Vessel load factor	80%	24 tonnes' cargo / movement
# Vessel movements / week	3	77k tonnes' cargo / week
Operational weeks	42	3m tonnes' cargo / year
Cargo values	Structural steel is roughly £700 / tonne, aggregates for use in concrete are roughly £10 / tonne. We assume imports are split 90:10 in favour of aggregate for concrete, meaning annual throughput of 300k tonnes' structural steel, and 2.7m tonnes' aggregate for concrete.	Structural steel: £210m / year Concrete: £27m / year

Tariff application	Iron & steel tariffs vary significantly depending on the origin and type of construction product imported. Imports of certain types of steel imported from Russia incur a tariff of £80.75 per tonne, c.£50 per tonne from Brazil and Ukraine, and percentages between 20%-90% from a range of other origins including the United States. There are also a very large number of iron & steel imports which carry There are no import tariffs applicable to salt; sulphur; earths, stone; plastering materials, lime and cement.	In order to demonstrate the potential impact, we have modelled a 25% import tariff on steel, and nil on the aggregates.
Tariff Benefits	Combining cargo values for iron & steel of £210m / year with a 25% tariff.	We estimate duties payable in the region of £52.5m per annum.
Tariff delay	3 months at a discount rate of 10%	£1.3m per annum
Purchasing power & scale shipping	2% cost saving on value of imports	£4.8m per annum

100. The analysis provided above illustrates the possible benefit available to the likes of SeAH from using the customs zone. However, the customs offer form only a part of the inward investment attraction package, and the overall economic benefits are those outlined above in the economic case, the real value is that the customs zone helps attract higher value clients from our three key sectors.

101. Engagement through the FREN with HMRC and Border Force should lead to an understanding of each site's customs capability, and security issues, enabling positive outcomes which address the potential access and egress issues.

102. Once the two conditions are satisfied, it is our intention that each site will apply through the Freeport mechanism published by HMRC. This will follow the accreditation process for AEO(S) which will deliver on each Customs Zone Operator's responsibilities as referenced in the Management Case of this FBC, section 5a, Governance. Each operator will work to their own project plan which will set out site maps, proposals, and timescales.

103. The Freeport Board will retain oversight of the progress made to address access & egress issues, and commercial imperative via the Freeport Directors delivery report. This forms part of the standard reporting mechanisms to the Board set out in the governance arrangements.

1di5. Planning

Site	Relevant Local Development Plans and their Status	Current Planning Status	Planning Needs	Planning Activities (inc. Estimated Timescales)
Teesworks East Tax Site	RCBC 2018 Local Plan Adopted. Plus, South Tees Area Supplementary Planning Document, which allocates the	Outline planning permission for over 14m sq. ft of B1 B2 and B8 uses held for land in Teesworks	N/A	N/A
Teesworks West Tax Site			N/A	N/A
Teesworks Customs Site			N/A	N/A

Site	Relevant Local Development Plans and their Status	Current Planning Status	Planning Needs	Planning Activities (inc. Estimated Timescales)
Teesport Customs Site	land for specialist employment uses. These include but are not limited to heavy processing and port logistics developments.		N/A	N/A
Wilton International Tax Site	RCBC 2018 Local Plan Adopted. Land allocated for employment related development.	Instrument of Consent in place for undeveloped land. This is deemed planning subject to the developer getting a certificate of lawful use. Planning Performance Agreement process required	N/A	N/A
PD Ports Teesport	RCBC 2018 Local Plan Adopted as above	In addition, as Statutory Harbour Authority is granted permission for port related activities	N/A	N/A
Port of Hartlepool Customs Site	HBC Local Plan Adopted; 79 ha included in Port LDO		N/A	N/A
Port of Middlesbrough Customs Site	MBC Local Plan Adopted. Land allocated: Reg13 Riverside Park	General Development Considerations in the Local Plan (Regeneration DPD) for B1, B2 & B8 uses	N/A	N/A
Teesside International Northside 1 and 2 Customs Sites	DBC Local Plan 2016-36 is in development. Adoption expected late 2021/early 2022 Last plan adopted 1997. Decisions made based on Saved Local Plan Policies EP9 and EP10 and Core Strategy 2011 Policies CS1 CS5 E1 E2	General Permitted Development Order for airport operator (applies to both council sites)	N/A	Northside 1 - Initial discussion held with DBC, awaiting end user investment decision to proceed. Expect to commence planning application preparation in February and start on site Autumn 2022. Northside 2 - early discussions with end user for part of site2 - end user awaiting confirmation of contract mid Feb 2022 which will then require groundworks and construction activity to deliver premises for aviation activity from July 2022.
Teesside International Airport Southside Customs Site	SBC 2019 Local Plan Adopted General Permitted Development Order for airport operator		N/A	JV partner to submit planning application for phases 1a/b in January 2022. Access road works to star in February 2022

104. As is evident by the N/As in the above table, outline planning permission has been granted for the development of Teesworks tax sites. The Instrument of Consent at the Wilton tax site also helps streamline the planning processes and mitigates planning risk on these sites.

1di6. Innovation

105. One of the core objectives of the Freeports programme set out in the bidding prospectus is to 'Create Hotbeds of Innovation'.

106. Freeport is an enabling mechanism to accelerate the work already going on in the Tees Valley. Freeport status overlays and makes use of TVCA's existing strategic Innovation theme, which aims to enhance research intensity and enhance productivity which will regenerate the economy through clean growth and advanced manufacturing. Businesses attracted by Freeport status that locate within the Freeport will benefit from the Freeport levers as well as being a part of Teesside's existing innovative sector clusters. The Innovation theme is key to Tees Valley becoming a global leader in clean energy, low carbon and hydrogen, and the area delivering a net zero carbon industrial cluster by 2040.

107. Annex L is the Innovation strategy document which will live on and continue to develop after the FBC has been approved. This strategy is owned and operated by the existing Clean Growth and Innovation Team at TVCA.

108. The Clean Growth team lead on the region's activities to transition to net zero. The activities focus on heavy industry, industry and commercial, domestic, transport and natural capital. The team lead on sector decarbonisation, CCS, hydrogen, and natural environment. The team manage the larger decarbonisation activities and develop low carbon projects and investment opportunities (such as the offshore wind cluster, carbon capture and storage, and green hydrogen). They work with the Freeport to integrate the net zero plan for the freeport into the wider strategy for the region. The Innovation and Digital teams work with the Freeport on innovation infrastructure and the innovation support around frictionless trade, 5G, offshore wind, hydrogen, and bio manufacturing.

109. This initial version of the Annex provides an overview of the range of innovative opportunities, initiatives and our engagement with stakeholders which are progressing to support Freeport and TVCA target growth sectors of Clean Energy (inc Offshore Wind), Advanced Manufacturing (inc Life Sciences) and Chemicals and Materials.

110. The projects are also referred to in Annex R Wider Interventions, summarised above in 1dii and 1diii. Confirmed investments in the Creating Hot Beds of innovation total £1.1bn (this includes high profile private sector investments such as the SABIC 'Cracker').

111. Projects listed in Annex L, that TVCA is directly involved in, total over £100m and include the Freeport customs related Centre for Frictionless Trade, and 5G Testbeds which will be enabled by the Freeport Seed Funding investment in digital infrastructure. Also, TVCA support for the key Sector Networks includes work with NOF which has supported the attraction of SeAH to Teesworks.

112. The innovation theme links to the Freeport target sectors, contributing funding with Teesside University and the European Regional Development Fund (ERDF) to create the Net Zero Industry Innovation Centre and the National Horizons Centre, a bioscience centre of excellence. TVCA is jointly funding CPIs Novel Food Innovation Centre based on the Wilton International Site and Tees Valley has been designated as a Hydrogen Transport Hub.

113. Annex L provides information on how the internal TVCA team works with external industry networks, universities, and their associated research facilities. TVCA's Innovation funding has been used to invest in the organisations, to provide the infrastructure for sector specialist support. These networks are integral to the sector clusters in Teesside. The value proposition offered to inward investors, which is covered in 1di7 includes these sector support and innovation organisations.

114. The Freeport team works with the existing TVCA innovation, inward investment, and skills teams, to join together the right support and maximise use of available levers for businesses located on the Freeport tax and customs sites.

115. The FREN, provided by central government and is in early development, will be a route to policy makers and regulators. It will be used to explore innovating regulation, to test and overcome barriers to growth in the key sectors. The Freeport team outlined in 5b, includes dedicated Freeport Management. Responsibility for

the liaison with stakeholders and the FREN will sit within the management role. Current areas to influence and innovate policy and process to benefit our area which we seek to explore using the FREN are:

- 5G Spectrum Licenses – Bandwidth in industrial complexes
- Customs to engage with FREN
    - Non-physical boundary custom controls
    - International customs clearance from UK
- Use of private wires in conjunction with CfD policies
- Interaction with innovation trials

1di7. Trade and Investment Promotion

116. Another of the core objectives of the Freeports programme set out in the bidding prospectus is for freeports to be ‘National Hubs for Global Trade and Investment’.

117. As outlined above in 1di6, Freeport is an enabling mechanism to accelerate the work already going on in the Tees Valley. Freeport status enhances TVCA’s existing Invest Tees Valley offer by providing additional benefits to attract inward investors. The sectors the strategy seeks to attract into the Freeport are Clean Energy (inc Offshore Wind), Bio Life Sciences (Advanced Manufacturing) and Chemicals and Materials Processing. Businesses attracted by Freeport status that locate within the Freeport will benefit from the Freeport levers in addition to the joined-up support brokered by the Invest Tees Valley team.

118. Annex K is a document which will live on and continue to develop after the FBC has been approved. It is owned by the Inward Investment Team and uses DIT and TVCA promotional activities. The team covers all inward investment into the Tees Valley and is the main linkage into DIT. It is responsible for investment promotion and delivery, including DTI's High Potential Opportunities. The team cover all sites in the region including the Freeport and is impartial.

119. The team covers the main sectors covered by the freeport including offshore engineering, chemicals & materials processing, clean energy, and bio processing. This team will directly support the freeport director and be available to work on Freeport specific activities.

120. It aligns with the Freeport Inward Investment Strategy, the work of the Department for International Trade and their new Freeport strategy, all of which integrate the promotional efforts of the Freeport stakeholders such as port operators. The strategy in Annex K sets out the oversight provided, the steps that will be taken, and the activities that will be coordinated by Freeport Management. The structure of the Freeport team and how it links to all TVCA existing teams and functions is outlined in 5b.

121. TVCA have coordinated, and provided, funding for the projects in Annex R Wider Investments, which contribute to achieving the National Hub for Global Trade and Investment objective. This includes confirmed funding for investment in regeneration of land at Teesworks (via STDC). This funding enables land to be remediated and available, which will be promoted with Wilton International land under the Freeport brand with the offer of tax benefit levers to attract inward investment.

1di8. Skills and Workforce Development

122. The final core objective of the Freeports programme from the prospectus is to ‘Promote Regeneration and Job Creation as part of Government’s policy to Level Up Communities’.

123. Freeport raises the profile of Tees Valley to attract inward investment. The targeted businesses attracted are in innovative, and/or new sectors, which create new jobs which require a workforce with matching skills. These businesses will be linked to the TVCA Skills team as appropriate as a part of the soft-landing support network provided by the Inward Investment team.

124. Adult education, skills, and workforce development are within the devolved funded powers granted to TVCA. Freeport, as a part of the TVCA umbrella, will benefit from the existing service. If required, to deliver solutions necessary to respond to Freeport based needs, the existing team could be expanded with funding from Freeport income streams.

125. Existing devolution powers mean that TVCA has already been able to better align adult skills funding streams, including Adult Education Budget (AEB) and the Lifetime Skills Guarantee Level 3 Adult Offer, for a more effective and joined-up system that addresses local challenges and seizes opportunities to improve outcomes for our residents and businesses.

126. TVCA Skills team understand the labour market in the area with knowledge of the demands of employers in the key local economic sectors. Independent research provides an insight, for example the Local Skills Report (2021) and the Sector Skills Demand and Occupations Skills Analyses (both 2020). These inform the design of the next phase of skills provision for Tees Valley. The work of the skills team also aligns with the Equalities strategy (see Annex O).

127. The need for new and higher-level skills has never been more critical to take advantage of the significant opportunity available from the acceleration of inward investment brought about by Freeport.

128. In annex N, section 2.2 the levels of future jobs are articulated. The Teesside Freeport proposition (Vivid Economics Estimate) set out that between 2021-2025, anticipates that 16,000 jobs will result from Freeport intervention, largely in off-shore wind with 60% operative roles and 40% in higher-skilled professional occupations.

129. From 2025 onwards, an additional 25,000 jobs will result from Freeport intervention, predominantly life sciences and advanced manufacturing. Around 60% professional roles, with 40% in operative roles.

130. By 2030, without the Freeport proposition, there were expected to be 291,500 jobs projected with the employment rate increasing from 70.4% in 2020 to 72.6%. However, with the Freeport proposition, this rises to 332,500 jobs projected with the employment rate increasing to 82.9%. Currently, there are not enough jobs for every person of working age in Tees Valley so the addition of Freeport to attract inward investment is very important to the creation of more jobs. Our assumptions are that the new jobs are filled by TV residents, therefore increasing the employment rate of Tees Valley residents.

131. Annex N provides details of the activities TVCA is already engaged in, and how the development of a new Education Employment and Skills Strategy (2022 and beyond), due to be launched in Spring 2022, sets out the future skills priorities for Tees Valley aligned to the significant economic opportunities in Tees Valley over the coming years, including the Freeport, and sets out the actions required to deliver the strategy.

132. The projects are also listed in the Wider Interventions Annex R, which shows confirmed revenue and capital projects totalling c£50m. These include Bespoke Employer Led Pilots, Skills for Growth, Careers Education, Teesworks Skills Academy Skills Bootcamps, and Apprenticeships. The structure of the Freeport team and how it links to all TVCA existing teams and functions is outlined in 5b.

1dii. Wider Interventions

Confirmed Investments

133. The table below summarises the types of wider activity taking place in and around the Freeport geography that will support the Freeport to realise its objectives. Full details of the projects are provided at Annex R, Confirmed tab. The investments are grouped under the Strategy/Objectives heading with an indication of the projects included to show the overall package of investments contributing to the Tees Valley value proposition.

Freeport Strategy/ Objective	Value	Expected Outputs	Funder(s)	Delivery Timescale	Geographical Scope	How supports Freeport Objectives
Create Hotbeds for Innovation. Includes: Teesside Uni Net Zero Industry Innovation Centre provides innovation campus to SMEs. Hydrogen Transport Hub & Hydrail test site government backed test site for applications of Hydrogen in Transport; Teesside Uni National Horizons Centre is a Bioscience centre of excellence; Sector Networks Programme: support for local cluster networks to bid into national funding to boost key sectors	£58.4m	Increased business research intensity / increased business green growth intensity	Public sector: TVCA ERDF MHCLG/ DLUHC DFT	Operating now, or by 2023	Mainly Tees Valley, Regional National	Develops Key sector clusters
Fujifilm research facility at Wilton increase research gene therapy and vaccine Fujifilm production facility at Billingham expanded to produce more vaccines SABIC hydrocarbon 'cracker' at Wilton converted to run on hydrogen	£1307.5m		Private Sector		Regional National	

Freeport Strategy/ Objective	Value	Expected Outputs	Funder(s)	Delivery Timescale	Geographical Scope	How supports Freeport Objectives
(Others are listed, but investment not known)						
Promote Regeneration & Job Creation. Includes: Transport Programme: Rail capacity and Station improvements; Bus Corridor; Redcar to Teesworks Cycling Route. Town Deals, Future High Street, Brownfield Housing Skills Programme: Skills Hubs, Skills Accelerator, Boot Camp, Apprenticeships, Adult Education.	£362m	Levelling Up	Public sector: TVCA DFT DFE MHCLG/ DLUHC DWP BEIS	Transport on site now. Place projects by 2025 Skills now operating	Tees Valley	Access to work and markets; better place to invest; skilled workforce
National Hub for Global Trade and Investment. STDC contaminated land regeneration programme including the Teesworks East and West Tax Zones	£435.7m	Levelling Up	Public Sector: MHCLG/ DLUHC	Site works commenced 2020	Tees Valley	Provides location for cluster of business
Total	**£2163.6m**					

1diii. Project Pipeline

134. The table below summarises the range of planned and potential infrastructure, skills, land remediation, innovation and decarbonisation projects that are in pipeline that would support the Freeport to realise its objectives and for which funding is yet to be secured. These are in and around the Freeport geography. Full details of the projects are provided at Annex R, Pipeline table. These investments are grouped under the Strategy/Objectives heading with an indication of the range projects in pipeline.

Freeport Strategy/ Objective	Estimated Cost Cap / Rev	Expected Outputs	Possible Funder(s) &/or Funding Status	Rough Delivery Timescale	Geographical Scope	How supports Freeport Objectives
Create Hotbeds for Innovation. Includes: Centre for Frictionless Trade Pilot 5G 'test bed' projects	Cap £13.5m Rev £3m	Increased exports; Increased research intensity	Not identified	Est 2024	Tees Valley	Develops key sector clusters
Carbon Capture Utilisation & Storage (Scale of investment not yet known) NGN Hydrogen Village Trial	unknown	increased business green growth intensity	BEIS & private sector	Operational 2025 tbc	Tees Valley	Develops key sector clusters
Promote Regeneration & Job Creation. Includes: Transport: Road New Tees Crossing A19 N/S, A66 & A689 E/W improvements Rail Freight capacity improvements Access to Teesworks: Rail Stations, Bus Route, Cycling Route, Multi Modal Hub Skills Academy Building Brownfield Housing additional allocation	Cap £634.1m	Levelling Up	Public Sector: DfT TVCA DLUHC	Crossing start 2025, complete 2028 Others tbc By 2025	Tees Valley	Connectivity of workforce to jobs; Movement of goods to market; Skilled workforce to meet employer need
National Hub for Global Trade and Investment. Includes: Teesside Airport land remediation Fibre Infrastructure	Cap £35m	Increased export activity	Possibly leverage Private sector	tbc	Tees Valley	Develops key sector clusters
Total	**Cap £683m Rev £3m**					

135. We await confirmation of future funding sources such as may be outlined in the Project Gigabit, Levelling Up White Paper, and the UK Shared Prosperity Fund. As is demonstrated in the confirmed and pipeline projects, the projects developed under the existing TVCA themes contribute to the successful delivery of Freeport, and future projects will continue to be developed to align.

136. The New Tees Crossing (NTC) over the A19 and the Teesside Freeport are mutually beneficial projects.

137. In the next 3 – 5 years Freeports will enhance trade and investment across the UK, boost growth and high skilled jobs, and increase innovation and productivity in port regions.

138. The Teesside Freeport will deliver employment across all 5 boroughs:
- Regeneration of the heart of the industrial complex.
- It will provide a £3.2billion boost to the local economy.
- £2billion of wider interventions and complimentary investments.
- Largely manufacturing, which will generate heavy good vehicle movements, impacting on crossing.
- All needs to be delivered within a limited 5-year window and transport infrastructure cannot be a barrier to that development.

139. The existing A19 Tees crossing is a key pinch point on the A19 corridor, with 2-lane capacity further suppressed by successive weaving and merging points:
- Demand of >100k AADT driven by lack of alternative crossing points.
- Typical delays of 3 minutes on A19 in peak periods with day-to-day variability regularly increasing this to >5 minutes.
- Delays & queuing traffic also experienced on slip roads merging from A66.
- Delays impact on local residents using the crossing to access employment & services, local businesses and strategic north-south movements

140. The Teesside Freeport fundamentally changes the traffic growth assumptions in the original OBC (with 44,411 new jobs and a significant increase in economic activity). Impact of Teesworks means that the additional traffic will result in the crossing reaching capacity between 2022 & 2023 (in original OBC crossing forecast to be at capacity in peak periods by 2027).

141. Near term investment across the Teesside Freeport is actively in train and will deliver c16,000 jobs within the next 3 years (many much sooner than this), which on their own mean that the capacity of the Tees Crossing is exceeded. A further 5,400 confirmed jobs across the region adds further strain, meaning that future development is already at risk. Tees Valley simply cannot wait for this important infrastructure project to go ahead.

142. Without the NTC, the planned development of the Freeport is put under pressure and has heighted risk.
- The Net Zero Cluster and Freeport will generate demand for 1,500 additional two-way trips on the crossing, which cannot be accommodated by existing crossing capacity.
- Investment in Teesworks, but not NTC, could result in up to 10 minutes additional delay at the crossing, adversely impacting strategic north-south movements as well as local trips

143. NTC will increase crossing capacity by over 50% resulting in:
- Reduced delays by 40-50% and improved journey time reliability by 60%, worth £200m, increasing to >£300m with full build out of the Teesworks site.
- Capacity to accommodate traffic growth from Teesworks equivalent to 20k jobs with net welfare benefit equivalent to £1.4bn PVB and £200m private sector investment in the UK Offshore Manufacturing Centre

144. The importance of the A19 New Tees Crossing to Wider Strategic Investments in the Tees Valley is summarised:

Source: the A19 New Tees Crossing: Evidence to strengthen strategic & economic case (August 2021)

1e – Outputs and Outcomes

145. The following logic model puts into context the respective outputs, outcomes and impacts for the Freeport as a whole, and assumes full occupation of sites. The arrows indicate the journey from investment, to activities, to outputs, outcomes, and impacts. Explanatory narrative for the logic model is found in the table at Annex Ab. This demonstrates how the enactment of each tax or customs lever, attracts end users to take up the c600ha of tax land and will make use of the customs sites.

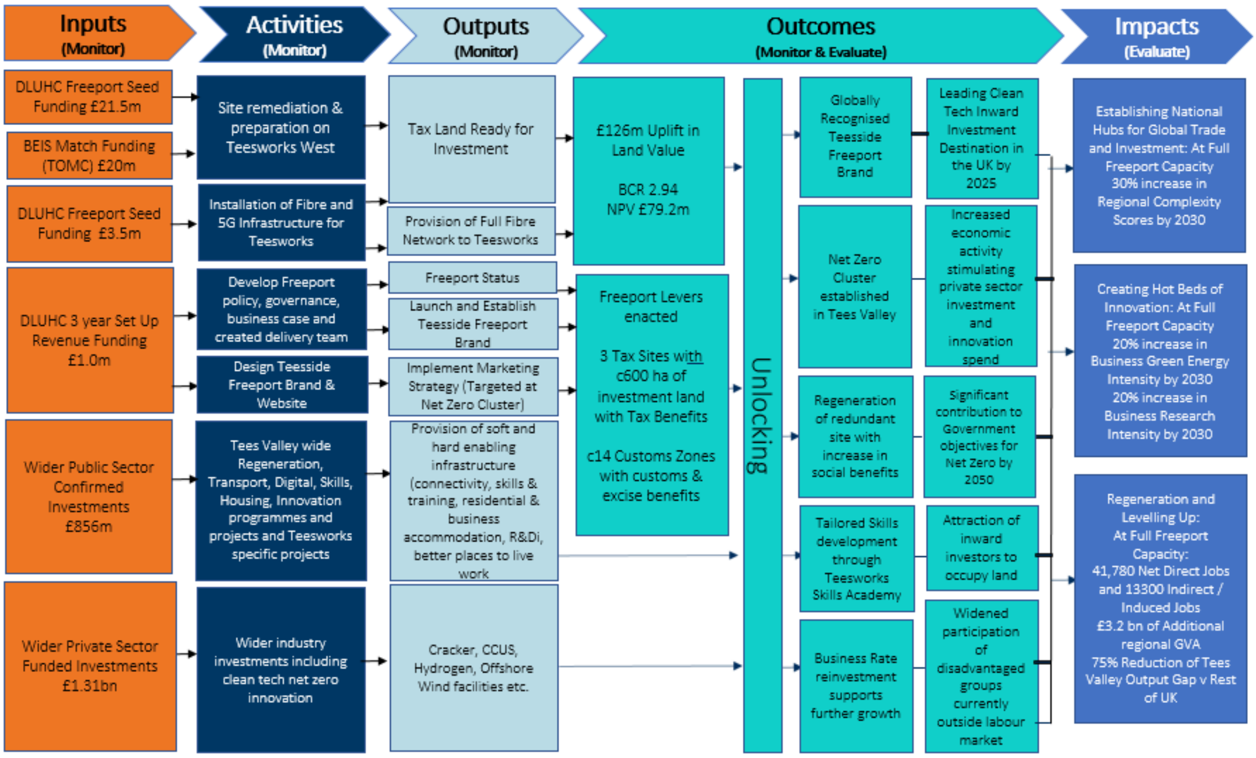
146. The additional value from Freeport status and Freeport activity is the increased brand, marketing, offer and incentives that bring forward investment sooner, which strengthens the commercial imperative for investment. Without this the investments would not happen, and the benefits would not be delivered by 2030. The additionality Freeport brings is acceleration of investment.

147. The convening role of the Freeport team coordinates activity under the Freeport brand with clear objectives and sector emphasis, directly support the delivery of the Net Zero Cluster. Left solely to market forces this is unlikely to happen as the land would simply be let to the highest bidder, regardless of the sector. The Freeport provides the convening effort, attraction, and (via the Governance processes outlined in the section on Tax Site Management) ultimately the selection of businesses to locate in the region. In addition, the convening role of the Freeport team provides links into the offers of support across Skills, Innovation, Networks, FREN etc

148. The narrative to accompany the logic model illustration below, is in the Theory of Change box in 1a. Freeport adds a layer to enhance further the cumulative effect of the public and private sector investments in the Tees Valley area, to deliver sooner the outputs outcomes and impacts. The logic model also illustrates the complementarity of investments to deliver the ultimate impacts.

149. It is anticipated there will be a spill over effect to the wider region. The attraction of 41,780 jobs to the site and a further 60,000 indirect and induced jobs created, will have a cumulative impact on the UK economy of £14bn. If only 60% of this is realised in the immediate travel to work catchment of the Freeport, that is still a

rise of £8.5bn (or 62% increase in regional GVA). This increase in regional GVA will have a significant uplift to household formation (24,000 more homes needed[13]) and retail expenditure (potentially rising £2.5bn[14]).



150. This benefit table summarises the measurements of the outcomes.

Benefit Name	Benefit Type	Target Lower Range	Target Upper Range
GVA	Economic	£1.6bn	£3.2bn
Increase in regional complexity score	Economic	15%	30%
Number of new technology products and processes developed on site	Economic/Innovation	5	10
Number of cross sectoral collaborative networks undertaking R&D5F[15]	Economic	1	5
Business Green intensity target (sector and supply chain)	Environmental	10%	20%
Increase in business research intensity in target sectors	Economic/Innovation	10%	20%
Contribution to Levelling Up	Economic	37%	75%

151. The outputs derived from the retained business rates are yet to be defined by the Billing Authority, and the Freeport Board. The decision-making processes for the investment of this income is set out in the Retained Business Rates Investment Plan at Annex W.

1f. Tax Site Compliance

[13] *Based on 40% of realised jobs requiring relocation to the region, the figure of 24,000 homes demanded, will stimulate both the new build and the under-utilised second-hand housing market in the region*

[14] *Based on an average spend per head of £2,600 for comparison shopping or £1.6bn for the Tees Valley, and a 62% increase comparison shopping on 2018 figures, as a result of increased output in the region*

[15] *These ad hoc networks will be targeted at large scale inward investors and aimed at encouraging them to undertake collaborative R&Di activity with indigenous SMEs ultimately aimed at addressing regulatory/production constraints to supply chain integration.*

152. All three tax sites as set out in the Teesside Freeport Bid were proposed and approved through the OBC. Annex E provides illustrations of the agreed maps for each tax site in the Freeport as approved by HMRC.

153. The Teesside Freeport offers c600 hectares of land to invest in, which will provide the resident businesses tax reliefs.

154. The table in section 1di2 provides an overview of the benefits to business of locating on a site with Freeport status. The methodology used to model the time limited benefits are used in the financial calculations in the Annexes Ma & Mb

155. The table below sets out how the three tax sites met with HMRC Freeport requirements and achieved designation:

Site	Physical Requirements	Regeneration Need	Underdeveloped
Teesworks East & West	400 hectares of land, for industrial use, in need of remediation and preparation.	Site clearance, land Remediation and site preparation necessary for entire site.	400 hectares of brownfield land - 100% under-developed. Agreed by HMRC and designated
Wilton International	c200 ha of underutilised land, with services, not occupied	Former chemicals processing cluster, with services connected, clearance and specific end-use site preparation required.	Underutilised land, due to the specialist nature of the site, only chemical/ materials related activity would be meaningful. For full economic/ industrial symbiosis benefits to be delivered there is a need to attract complementary activities and ensure that these are physically linked to existing infrastructure. Agreed by HMRC and designated

1g – Net Zero

156. TVCA is developing a Net Zero Strategy for the Tees Valley region, which encompasses the Freeport geography. The emerging framework for the Strategy will set out a practical roadmap to reach Net Zero by 2050. The Strategy will have four pillars – Industrial Decarbonisation, Domestic and Small Business Decarbonisation, Transport Decarbonisation and Natural Capital. The strategy is led by Industrial Decarbonisation, and this pillar is the most advanced, and most applicable to Freeport.

157. The TVCA strategy is building on recently issued or emerging government policies on Net Zero and Hydrogen, CCUS measures and the Environment Act 2021.

158. As a high emitting region, Tees Valley has a huge part to play in achieving Net Zero. Reducing carbon emissions presents a huge opportunity. The strategy states these ambitions:

- Create the world's first Net Zero Industrial Cluster by 2040.
- Reduce carbon emissions, waste, and pollutants
- An exemplar region for Low Carbon Technologies
- Affordability (for communities and business)
- Economic regeneration and growth (jobs and GVA)
- Sustainable and healthy environment
- Energy efficiencies and warmer homes

159. The indicative activities to achieve Net Zero include:

- A reduction in all local emissions to net zero by 2050, with scenario work to be commissioned to calculate the amount of emissions to be reduced by 2030.
- Deliver the UK's first decarbonised cluster by 2040
- Deliver large scale Carbon Capture and Storage project by 2030
- Contributing more hydrogen than the 5KW national target for hydrogen production by 2030 - Greater than 1GW of Blue Hydrogen by 2030, Greater than 500MW of Green Hydrogen by 2035
- Large scale decarbonisation of Public Transport by 2025 - including a fleet of zero emission buses by 2030 and hydrogen trains at the birthplace of the railways.
- Encourage greater levels of active transport

- Increase available EV charging points
- Encourage business to adopt new practices improving productivity and profitability
- Deliver one of the first net zero housing development schemes
- Biodiversity Net Gain in excess of 10% minimum set out in the Environment Act 2021

160. The rationale for the formation of the Freeport is based on a need to become regionally and internationally competitive. The Freeport is supported by existing TVCA Innovation strategy and projects which support Net Zero. Freeport status will accelerate attraction of clean tech and low carbon manufacturing businesses. It is estimated that Freeport, as an enabling factor for CCUS in the Tees Valley, would lead to full cluster decarbonisation in the region by 2040, which would be an annual reduction of around 10MT of CO_2.[16] Innovation will also reduce existing emissions and actively remove greenhouse gases. The Freeport will be built on the foundational principles of promoting free/frictionless trade to reduce carbon emissions, as well as using clean growth as a mechanism for green jobs and decarbonisation.

161. **CCUS:** The Net Zero Teesside CCUS, directly adjacent to the Freeport site, will provide the infrastructure to capture and store the entire CO_2 output of the Tees Valley's industrial cluster each year. This co-location not only provides immediate access to the proposed CCUS pipeline, but also strengthens the business case for said infrastructure and its anchor project – a 850 MW gas fired power station.

162. **Clean Energy:** In addition to the Net Zero Teesside power station, the Freeport's tax zones will have access to a private wire network and clean energy on-site. Other sources of green energy will include the Sofia and Dogger Bank offshore wind farms, Tees Renewable Energy (biomass) and Whitetail power plants – all to be decarbonised with CCUS.

163. **Clean Manufacturing:** The Freeport has already attracted SeAH to the site, which will create 750 direct jobs and 1,500 in the wider supply chain[17]. It has also secured an approximate £122m investment from Peak Resources, to develop a rare earth refinery with potential applications in the wind turbine and EV battery supply chains, with an estimated 130 jobs being created[18].

164. The investments and activities funded by this business case are directly within the control of the Freeport, and its accountable body, TVCA via procurement practices. There are also wider investments made by TVCA which are complementary to Freeport. These support the delivery of regeneration and levelling up, and the pathway to net zero is influenced by TVCA via the terms of their funding contribution to the projects.

165. The external organisations involved in the delivery of Freeport, are not controlled by TVCA, but can be influenced and informed by TVCA leadership and the Freeport Board.

166. Through the deployment of seed capital, regeneration and development strategy will look to minimise the carbon footprint of new development.

    - Recycling of recovered materials, this will include the use of 1m tonnes of excavation arisings and crushed concrete to form development platforms.
    - The investment in SSSI and SPA land to compensate for development.
    - Utilisation of low carbon technologies within new development
    - Encouragement of localised employment and reduced journey times

167. The companies that subsequently occupy sites on the Freeport are outside the direct control of Freeport and are responsible for their own carbon emissions and controls. However, application of tax benefits to regulate the selection process will only attract the target sectors, legislation and regulation will police emission reduction.

168. The external stakeholders, controlling the Wilton International tax site and operating customs sites, will be influenced and have pledged support to decarbonisation plans in the letters at Annex H.

169. Details of the TVCA Innovation Strategy is at Annex L, this includes the reporting arrangements to the Freeport Board via the Innovation and Inward Investment workstream. Freeport will utilise the TVCA central team to provide planning and monitoring of Net Zero impacts.

[16] C.600Ha of fully carbon neutral industrial activity by 2040 with an estimated CO2 reduction of 4.21MT per year by that date - calculated based on the proposed industrial activities on the Freeport site. On the same basis of 2.1MT per year can be assumed by 2030
[17] *GE Renewable Energy plans to open new offshore wind blade manufacturing plant in Teesside, United Kingdom | GE News*
[18] *Go-ahead for multi-million-pound refinery that will bring 130 jobs to Teesside - Business Live (business-live.co.uk)*

170. The Freeport is uniquely placed to support the delivery of the UK's Net Zero ambitions, and this is reflected in why the initial bid was selected by Government. It will help to achieve net zero across the region by 2040. It is core to the Tees Valley's ambition of creating a Globally Competitive Net Zero Cluster.

1h - Equalities

171. The Equalities Impact Assessment (EqIA) is provided in full at Annex O using the structure provided by the Freeport Hub. This provides data on the makeup of cohorts of protected characteristics sets out the impacts, and mitigations to adverse impacts, on each of the protected characteristic groupings as defined in the Equality Act 2010.

172. As a public authority TVCA has a Public Sector Equality duty when carrying out its functions, including the investments in regeneration and the operation of the Freeport. TVCA's Equalities Impact framework is included as an appendix to Annex O to show how we have 'due regard' for eliminating discrimination, harassment and victimisation and seek to advance equality of opportunity.

173. The Framework provides an evidence base to understand equalities issues across Tees Valley and outlines an approach to ensure we achieve our aims for economic growth, as well as responding to our legal duties. The Framework will ensure we meet Public Sector Equality Duty requirements by demonstrating consideration of equalities impacts in policy and project planning, enabling us to highlight possible adverse impacts, and identify preventive measures. It can also be used to identify currently under-served groups or areas and quantify the extent of gaps in current activity or provision. This tool can be used across TVCA Group to demonstrate consideration of equalities issues in all our activities.

174. The Framework includes a Data Tool, which enables us to overlay socio-economic data, including that relating to those from groups with protected characteristics. TVCA's Strategy Policy & Intelligence Team resource is available to extrapolate data and analysis from the Equalities Data Tool to support the development of TVCA Group work.

175. The outcome of the EqIA provides data on each protected characteristic and indicates that Freeport will give positive impacts for all cohorts of protected characteristics, however, there are mitigations required to ensure this is achieved. The mitigations make use of available schemes and training, e.g., raising equality and diversity on all employers' agendas, and the use of existing skills support offers already in place.

1i. Environmental Impact

176. The development of all sites is in accordance with planning regulations, working with Redcar & Cleveland Borough Council (RCBC). Proposed developments are expected to fall within part 10 (a) of Schedule 2 of the Town and Country Planning (Environmental Impact Assessment) Regulations 2017 (as amended) Part 10(a) which relates to industrial estate development projects where the development exceeds 0.5ha. EIA is required where significant environmental effects are likely.

177. For the Tees Offshore Manufacturing Centre, where land is being prepared for offshore manufacturing, alongside the re-instated Quayside on the river, it has been agreed with RCBC that the proposed development falls under an EIA development, and the findings of the Environmental Impact Assessment (EIA) are set out within an Environmental Statement ('ES').

178. A non-technical summary of the Environmental Statement has been provided by Lichfield's; the planning consultants procured by STDC to provide the necessary expertise to deal with these matters. This can be provided on request.

179. The EIA produced is required as significant environmental effects are considered likely. The statement provides a methodology to identify the impacts and propose mitigations.

180. Section 3 of the statement describes the development and the parameters of the development. This includes setting the floor level as determined by the Environment Agency to provide mitigation in the event of flooding. Biodiversity is considered in Section 5; Water Management and Flooding in Section 8, with a mitigation for finished floor level based on the 200-year coastal flood risk + Sea Level Rise allowance to 2100 design scenario. Section 12 considers the impact of the development activities on Climate Change.

181. A separate planning application was prepared by STDC for a quay on the River Tees, adjacent to the development site. It will facilitate the transportation of goods and materials to and from the development site by ship. This application was also supported by an EIA. The non-technical summary provided by global marine consultants Royal Haskoning DHV, follows the same format with additional considerations of

marine impacts. The South Bank Quay proposal re-instates a disused quay, and construction of the quay structures takes place from land, with piling within land rather than in the river. This causes no effect on the hydrodynamic and sedimentary regime of the river and mitigates negative ecological impacts on wildlife such as marine mammals. As the works proposed are in the river, coastal erosion is not required to be considered.

182. This is not reproduced for the purposes of this business case, as the use of the Seed Funding does not relate to quayside redevelopment. It is referenced here to state evidence of STDCs compliance with, and application of, the relevant regulations during the development and regeneration works phases. The relevant permissions required to proceed further with the development have been granted by relevant authorities including the Marine Management Organisation.

183. The Wilton International Tax Site is predominately ‘plug and play’ ready and does not require substantial remediation. Any development on any of the Freeport tax and customs sites must comply with environmental regulations. It is the responsibility of the landowner to ensure compliance the prevailing environmental regulations.

2. Economic Case

Key Messages:

- The long list of 5 options identified by government have been reviewed in this economic case, these reflect variations in the scale of support across both tax and customs sites.
- Four options were shortlisted against Critical Success Factors for detailed analysis.
- The cost assumptions were provided and validated by industry specialists.
- Reliance has been made on Land Uplift Model only when calculating quantifiable benefits.
- This additionality calculation follows guidance received from BEIS Economists when working on the business case for the Offshore Manufacturing Centre.
- Land Uplift is assumed to be from a baseline of £7,500 per acre (£18.5k per ha) for brownfield land on Teesworks. Once remediated and ready for occupation it is assumed to increase in value to £400k per acre (£988k per ha) on development. (This is based on direct market testing from three recent inward investment enquiries).
- Additional benefits, not included in the BCR calculations, are derived as business rates are generated, jobs are created, wage uplift occurs, GVA grows.
- The preferred option is Option 2: Development of a 3 Key Sector Freeport. The option achieves a BCR of 1:2.94 and an NPV of £79.19m on Freeport Seed Funding of £21.5m from DLUHC with £20m from BEIS used for land remediation. (financial model detail in Annex I)
- Sensitivity testing on the potential for increased costs or delays due to current market issues was applied (detail in Annex Ib).
- The minimal land value uplift necessary to create a BCR of 1 is c£313.6k per ha.
- The maximum land remediation costs to retain a BCR of 1 is c£922k per ha.
- The Seed Funding will be used to remediate, ready for development 320 acres (130 ha) of highly contaminated land on the Teesworks West Tax Site; and deliver 5G test beds for Teesside Freeport.
- The site will become a leading destination (based on job announcements) in UK for inward investment in Clean Tech by 2025.
- The preferred option will also delivery of a nationally recognised Teesside Freeport brand by 2022;
- An operational Quayside to support the Offshore Wind Manufacturing Centre by 2023;
- An operational Offshore Wind Manufacturing Centre (SeAH) by 2024; and
- 95% of Freeport tax area land prepared for utilisation by 2031[19].

184. The Economic Case considers the economic impact of the Freeport as a whole. It includes consideration of the expected costs and benefits from the Freeport across its whole geography. This is consistent with Green Book guidance.

185. The five options identified by government are reviewed. The options reflect variations in the scale of support across both tax and customs sites.

186. The preferred option is Option 2: Development of a 3 Sector Freeport. The option achieves a BCR of 1:2.94 and an NPV of £79.19m on Freeport Seed Funding of £21.5m from DLUHC with £20m from BEIS used for land remediation. Applying the same displacement rate of 27% (consistent with the STDC Business Case) achieves a BCR of 1:2.14 and an NPV of £46.8m.

187. The preferred option matches with the available £25m Seed Funding following the OBC review and subsequent Freeport designation process.

188. Annex Ia is the supporting spreadsheet which provides the assumptions behind the calculations and the methodology to calculate the costs of delivering the Freeport, both capital (using the Seed Funding for tax site remediation) and revenue funding to pay for staff costs (for initial set up and ongoing support of the operation of the Freeport).

189. Annex Ib includes sensitivity analysis and displacement considerations. The Teesside Freeport specifically targets sectors that do not involve displacement, looking to bring in new investment from overseas rather than within the UK. Therefore there is no explicit analysis of displacement within the economic case. However, to be prudent the Freeport Hub have recalculated the BCR in line with the displacement

[19] *This assumes SLEMs land parcel is not delivered.*

calculations for the STDC business case, which is also presented as our counterfactual. This includes a 27% displacement assumption. These calculations are in lines 5 – 22 of the tab "option 2".

190. In addition, lines 25 to 65 of the model demonstrates the additionality, by comparing the option 2 base case to a counterfactual of a scenario where STDC is built out over 25 years. Even including the "downside" displacement scenario and additionality assessment, the BCR remains high at 1.99.

2a – Critical Success Factors

191. The table, of critical success factors, lists the key attributes on which the successful delivery of the Freeport depends. These criteria are used in the shortlisting process to rule out unsuitable options and identify the preferred option.

Critical Success Factor	Key Performance Indicator / Wider Impacts
Delivers Strategic Policy Objectives of Regeneration and Levelling Up	• As a direct result of the Seed Funding, 130 hectares of site regenerated by 2025. • Land uplift in line with BCR calculation. • £3.2bn of additional GVA generated at the regional level on full capacity of the Freeport. • Levelling Up: Contributing to the reduction by 75% of the Tees Valley Output gap with the rest of UK on full capacity of the Freeport (2019 baseline and gross impact). • Jobs on site provide a c40% increase on Tees Valley average wage [20]
Delivers Strategic Policy Objective of Establishing National Hubs for Global Trade and Investment	• Attraction of Tier 1/Apex company by 2023. • Site becomes a leading destination (based on job announcements) in UK for inward investment in Clean Tech by 2025. • Teesworks Skills Academy established (2022) to actively promote uptake by people with protected characteristics in Freeport and wider supply chain. • 30% of (non-construction) turnover is sourced from UK supply chain by 2025. • 30% increase in regional complexity scores [21] (Net Zero/ Clean Tech Cluster) by 2030.
Delivers Strategic Policy Objectives by creating 'Hot Beds' of Innovation	• New clean technology products & processes developed on site by 2025. • Five cross-sectoral collaborative networks, levering in £20m of R&D support by 2025. • 20% increase in business Green Energy [22] Intensity (target sector and supply chain) by 2030. • 20% increase in business Research Intensity [23] in target sectors by 2030
Contributes to Delivery of International Strategic Policy by Aligning with Net Zero Agenda	• Fully developed CCUS system by 2030. • Development of 1GW of blue hydrogen by 2030. • Delivery of a Net Zero power plant by 2026.
Demonstrates Strategic Freeports Policy by evidencing the Long-Term Viability of Sector Driven Freeports	• Delivery of a nationally recognised Teesside Freeport brand by 2022. • Operational Quayside to support the Offshore Wind Manufacturing Centre by 2023. • Operational Offshore Wind Manufacturing Centre by 2023. • 95% of Freeport tax area land prepared for utilisation by 2031[24].

Value for Money established using Green book methodology	• Positive financial return on investment based on land uplift
	• Positive economic return on investment:
	  ○ Positive BCR
	  ○ Positive NPV

Supply-Side Capacity and Capability: Control Over Deliverability	• Establishment of a Freeport by Autumn 2021. • Development of targeted inward investment proposition aimed at gaps in existing supply chains (higher value adding) – offshore wind, chemicals, and clean tech – by 2022. • Sectoral foresight and identification of supply chain opportunities (annually).

Delivery Risks mitigated to ensure achievability	• Mitigate land uplift benefit realisation risk by targeting sectors that:
	  ○ Require large amounts of development ready land
	  ○ Are time bound to mobilise operations to maximise market opportunity (offshore wind market opportunity)

Potential Affordability: Identified Funding Source	• Project delivered within £25m seed fund budget • Drawing down £34m in public match funding

[20] *£40k Wage of NVQ L3 manufacturing operative job at Teesworks incl GE and the port, (source: Teesworks Major Portside hubs jobs data supported by GE); Median gross annual full-time wage Tees Valley £28,080 (source TVCA Local Skills Report 2021 Annexes)*
[21] *Utilises regional and product complexity scores (developed by ONS) at the local authority level and aggregated up to Tees Valley to assess industrial diversity and the components of regional competitiveness, in particular the number of higher value adding sectors and respective functions within those sectors.*
[22] *The percentage of energy sourced from sustainable sources.*
[23] *Expenditures by a firm on its research and development (R&D) divided by the firm's sales.*
[24] *This assumes the SLEMs land parcel is not delivered*

2b - Options Appraisal

192. A long list of 5 options were developed, reflecting DLUHC guidance, and augmented to reflect local site and sector specific requirements. The options vary in terms of the scale of DLUHC seed funding available, sectoral coverage and type of support offered and are summarised in the first table, with full details in the second table below. Each option is in addition to £20m of other public funds from BEIS, granted towards the Teesside Offshore Manufacturing Centre.

Option	DLUCH capital seed fund	Description
1	£0	Do Nothing - Status Quo
2	£25m	Do Something – Development of a 3 Sector Freeport Proposition: Communities Cap Proposal
3	£15m	Do Something – Minimum Viable Ask: Development of a 2 Sector Freeport Proposition
4	£33.5m	Do Something – Development of an Integrated 3 Sector Freeport Proposition: Exceptional Spend
5	£10m	Do Something – Development of a Customs Zones-Only 3 Sector Freeport Proposition

Option	Description
Option 1: Status Quo	The status quo option is the existing Teesworks (STDC) Masterplan and the associated Teesworks Offshore Manufacturing Centre, recently funded by the Department for Business, Energy and Industrial Strategy (DBEIS). Cumulatively these two programmes will aim to regenerate circa 1,000 hectares (2,500 acres) of land on the Teesworks site, by 2032 and support the creation of circa 23,000 jobs by the same date. The existing works have been costed at £387m and include: • Development of a quay; • Dredging • Contingency • Hinterland preparation • Land preparation Under this option there is no proposed support for either the Airport Customs site or Wilton International.
Option 2: Do Something- Development of a 3 Sector Freeport Proposition- Communities Cap Proposal (£25m)	**Description:** This option is orientated towards putting in place enabling infrastructure for three tax sites and a primary and secondary custom site including: • **Wilton International[25]:** Chemical and Bio-pharmaceutical manufacturing sector: c200 hectare site, largely comprised of plug and play land; • **Teesworks West:** Offshore Wind: This site will host both the primary customs zone, based around the proposed Teesworks Quay (currently being developed using BEIS investment) and also the 200-hectare tax site. The land is heavily contaminated and needs significant remediation • **Teesworks East:** Offshore Wind and Bulk Chemicals Manufacturing: This site (200ha) links Wilton International and Teesworks West. With separate riverfront access to Teesworks West, it will focus on the development of further value adding functions in relation to bulk chemicals and supporting the materials processing needs of the offshore wind sector. • **Teesside International Airport:** This will be for the provision of infrastructure for a secondary customs site to support the movement of high value low volume logistics in support of the three sectors. **Scope of Work**: Under this option the following work will be undertaken: • Bringing forward by five years the roll out of Land Remediation specifically 130 ha (322 acres) on Teesworks West • Provision of full fibre and 5G across the three tax sites and the customs site

[25] Note: references to 151 hectares stated for Wilton was correct at time OBC was submitted. Subsequent work with HMRC revised the tax site boundary, resulting in c <200 hectares receiving tax site designation on 19th November 2021.

Option	Description
	Full fibre provision is considered essential to encourage circular economy/integrated supply chain solutions across the three sites and sectors and also to provide site security **Delivery Partners/Mechanism:** There are four discrete parcels of lands, each of which is under single ownership of a delivery partner for the overall Freeport. The Freeport programme will seek to utilise the following delivery mechanisms via the respective delivery partner on specified sites: • **Teesworks East:** Teesworks are the lead partner and will be responsible for land remediation and development activities delivered, via procured contractors on the 200 hectares of land ring fenced for tax allowance purposes; • **Teesworks West:** Teesworks are the lead partner and will be responsible for land remediation and development activities delivered via procured contractors on the 200 hectares of tax land and also on the coterminous customs site; • **Wilton International:** Sembcorp are the lead partner and will be responsible for land remediation and development activities delivered via procured contractors on the c200 hectares of tax land • **Teesside International Airport:** The airport operators are the lead partner and will be responsible for land remediation and development activities on the 15 hectares of secondary customs sites; • **Tees Valley Combined Authority** will be the lead partner in the development and delivery in conjunction with respective landowners of the four tax and customs sites of the roll out of full fibre and supporting infrastructure for 5G testbeds **Delivery Timescales:** All project activity to commence in Autumn 2021 and be completed by Autumn 2026 **Funding:** This option will include circa £25m[26] of seed capital from MHCLG but will potentially lever in £520m[27] of additional funds. Direct benefits relate to the rate and degree of land uplift of the 130 hectares (322 acres). Wider benefits relate to the rate and quantum of inward investment, jobs and GVA generated on the site.
Option 3: Do Something – Minimum Viable Ask: Development of a 2 Sector Freeport Proposition (£15m)	**Description:** This option is orientated towards putting in place infrastructure to support land remediation and site development for just one site and the provision of full fibre and 5G for all three tax sites and the two customs sites **Scope of Work**: Under this option the following work will be undertaken: • Land Remediation on Teesworks East and West; Full fibre provision is considered essential to encourage circular economy/integrated supply chain solutions across the three sites and sectors and also to provide site security **Delivery Partners/Mechanism:** There are four discrete parcels of lands, each of which is under single ownership of a delivery partner for the overall Freeport. The Freeport programme will seek to utilise the following delivery mechanisms via the respective delivery partner via specified sites: • **Teesworks West :** Teesworks are the lead partner and will be responsible for land remediation and development activities delivered, via procured contractors on 60 hectares (150 acres) of land ring fenced for tax allowance purposes; • **Tees Valley Combined Authority** will be the lead partner in the development and delivery in conjunction with respective land owners of the four tax and customs sites of the roll out of full fibre and supporting infrastructure for 5G testbeds

[26] *This equates to £21.5m on Teesworks West and £3.5m on full fibre and 5G roll out across the entire Freeport*
[27] *This equates to £182m on Teesworks East, £308m on Teesworks West, and £0 on full fibre and 5G roll out across the entire Freeport.*

Option	Description
	Delivery Timescales: All project activity to commence in Autumn 2021 and be completed by Autumn 2026 **Funding:** This option will include circa £15m[28] of seed capital from MHCLG, but will potentially lever in £308 m[29] of additional funds. Direct benefits relate to the rate and degree of land uplift for 60 hectares (150 acres). Wider benefits relate to the rate and quantum of inward investment, jobs and GVA generated on the site.
Option 4: Do Something- Development of an integrated 3 Sector Freeport Proposition (£33.5m)	This is option 2, with the provision that it may draw upon up to £8.5m of additional seed capital support to address any significant cost increases due to the regeneration of the 130-hectare site (322 acres). The proposed Freeport and the configuration of inward investment is necessitating a significant increase in the speed of roll out and the use of potentially less (poor ground conditions) viable sites. Ground investigations have been undertaken for the entire site and an average cost applied, however Teesworks is of such a scale and variety of former heavy industry uses that there may be a degree of variation across the site. This option is in part a method of mitigating that risk and will only be called upon, if any sizeable variation in cost arises. Consequently, this will have an additional cost up to £8.5m above option 2 and will deliver the same outputs but would significantly reduce the risk exposure of the project.
Option 5: Do Something Development of a Customs Zones only 3 Sector Freeport Proposition (£10m)	**Description:** This option is orientated towards putting in place infrastructure to support site development for the primary and secondary custom sites including: • **Teeworks West:** Offshore Wind: This site will host the primary customs zone, based around the proposed Teesworks Quay (currently being developed using BEIS investment) The land is heavily contaminated and needs significant remediation • **Teesside International Airport:** This will be for the provision of infrastructure for a secondary customs site to support the movement of high value low volume logistics in support of the three sectors. **Scope of Work**: Under this option the following work will be undertaken: • Land Remediation on Teesworks West; • Land Remediation at Teesside International Airport- secondary customs zone • Provision of full fibre and 5G across the 2 customs zones. Full fibre provision is considered essential to encourage circular economy/integrated supply chain solutions across the three sites and sectors and also to provide site security **Delivery Partners/Mechanism:** There are four discrete parcels of lands, each of which is under single ownership of a delivery partner for the overall Freeport. The Freeport programme will seek to utilise the following delivery mechanisms via the respective delivery partner via specified sites: • **Teesworks West:** Teesworks are the lead partner and will be responsible for land remediation and development activities delivered via procured contractors on the customs site; • **Teesside International Airport:** The airport operators are the lead partner and will be responsible for land remediation and development activities on the xx hectares of secondary customs sites; • **Tees Valley Combined Authority** will be the lead partner in the development and delivery in conjunction with respective landowners of the customs sites of the roll out of full fibre and supporting infrastructure for 5G testbeds **Delivery Timescales:**

[28] *This equates to £11.9 m on Teesworks West and £3.1m on full fibre and 5G roll out across the entire Freeport*
[29] *This equates to £308m on Teesworks West and £0 on full fibre and 5G roll out across the entire Freeport.*

Option	Description
	All project activity to commence in Autumn 2021 and be completed by Autumn 2026 **Funding:** This option will include circa £10m[30] of seed capital from MHCLG but will potentially lever in additional funds. Direct benefits relate to the rate and degree of land uplift. Wider benefits relate to the rate and quantum of inward investment, jobs and GVA generated on the site.

2bi. Shortlisting of Options

193. The following table uses the detailed option descriptors to assess strategic and operational fit with stated key objectives and critical success factors. Those failing to meet all key objectives will not be shortlisted (unless they are used to assess the counterfactual or outside the constraints set). Option 2 is the option corresponding to the prospective Freeports indicative CDEL allocation.

Description of Options	**Option 1** Status Quo	**Option 2** 3 Sector Spend Cap	**Option 3** Min Viable 2 Sector	**Option 4** 3 Sector Exceptional Spend	**Option 5** Customs Only
Critical Success Factors (Y/N)					
Delivers Strategic Policy Objectives of Regeneration and Levelling Up	N	Y	Y	Y	N
Delivers Strategic Policy Objective of Establishing National Hubs for Global Trade and Investment	N	Y	Y	Y	N
Delivers Strategic Policy Objectives by creating 'Hot Beds' of Innovation	N	Y	Y	Y	N
Contributes to Delivery of International Strategic Policy by Aligning with Net Zero Agenda	N	Y	Y	Y	Y
Demonstrates Strategic Freeports Policy by evidencing the Long-Term Viability of Sector Driven Freeports	N	Y	Y	Y	Y
Value for Money established using Green Book methodology	N	Y	Y	Y	Y
Supply-Side Capacity and Capability: Control Over Deliverability	N	Y	Y	Y	Y
Delivery Risks mitigated to ensure achievability	N	Y	Y	Y	Y
Potential Affordability: Identified funding source	N	Y	Y	Partial	Y
Summary	**N**	**Y**	**Y**	**Y**	**N**

194. The following options were shortlisted for detailed appraisal:

- **Option 1: Status Quo:** This was shortlisted to assess the additionality of the "Do Something" option.
- **Option 2: Do Something – Development of a 3 Sector Freeport Proposition: Communities Cap Proposal (£25m)**

[30] *This equates to £3.5m on Teesworks West, £3.5m on full fibre and 5G roll out across the entire Freeport and £3m at Teesside International Airport.*

- **Option 3: Do Something – Minimum Viable Ask: Development of a 2 Sector Freeport Proposition (£15m)**
- **Option 4: Do Something – Development of an Integrated 3 Sector Freeport Proposition (£33.5m).** This option has been shortlisted to demonstrate the added value which may arise if Government provides additional financial support above the present £25m threshold set for the programme. This option has been developed and shortlisted due to the high risk of cost escalation in relation to land remediation and site preparation on a site of this scale (total land to be remediated 130 hectares, total cost £56m) and to reduce delivery and financial risk to TVCA whom, beyond the initial Government investment, will be undertaking borrowing to prepare the site for inward investment.

195. This option has not been shortlisted for the following reason:

- **Option 5: Do Something Development of a Customs Zones-Only 3 Sector Freeport Proposition (£10m):** This option is not upgrading a significant parcel of land beyond that which is needed to support the administrative functions of a customs area it is therefore not going to have a material impact on site regeneration, the establishment of a hub or the creation of a hotbed of innovation.

2bii. Value For Money Appraisal

196. Based on the outcome of the shortlisting process, Options 2, 3 and 4 have been taken forward for Value for Money appraisal. The assumptions underpinning the financial costs and benefits of each option are set out in Annex Ib. These have been discounted into the present value applying the rate of 3.5%, as set out in HM Treasury Green Book. On these values, Benefit Cost Ratios are calculated and summarised in the table below.

197. The total cost to remediate 130 ha of land on the Teesworks West Tax Site has been estimated as c£56m (as set out in the Financial Case). This is funded by £21.5m of DLUHC Freeport Seed Funding, £20m BEIS Offshore Manufacturing Centre funding, and the remaining £14.4m not sourced from public grant funding. VFM appraisal is based on the use of all public costs paying for land remediation: the £20m BEIS grant plus the DLUHC funding allocated to land remediation, and the benefits generated from that investment. The DLUHC land remediation allocations are: Option 2 £21.5m, Option 3 £6.2m, Option 4 £30m.

198. The following assumptions have been made:

- In calculating the benefits, reliance has been made on the Land Uplift Model only[31]
- The size of the impact site is 130 hectares and we are only assessing impact on this actual site
- The cost to remediate 130 ha is c£56m, appx £0.431m per ha, based on costs provided by independent consultants, Royal Haskoning DHV, procured by STDC.
- Assumed baseline of £18,500 per hectares (£7,500 per acre) for brownfield land on Teesworks[32]
- When land is remediated and ready for occupation it is assumed to increase in value to £988,000 per hectare (£400,000 per acre) on completion of development. This is based on direct market testing from three recent inward enquiries including two acquisitions[33]. The figure is a median figure and we do not assume any significant variance on this rate, given the uniformity of the development site (standard plug in and play once remediated) and the fact that end users will be from a restricted number of sectors (delivering assembly and manufacturing functions)
- All expenditure will be incurred within two years[34] and it is anticipated that all sites will be occupied within five years[35].
- A discount figure of 3.5% was applied.

199. Additional benefits will accrue from jobs created. Details on the projected jobs expected as a result of Freeport are explained in Annex N, section 2.2. Initial jobs created will be in the offshore wind sector, a 60:40 split between operative and professional roles. After 2025, as jobs are created in life science advanced manufacturing sector, the split will change to 40:60 between operative and professional roles, and an uplift

31 This additionality calculation follows guidance received from BEIS Economists, and so is consistent with, the additionality analysis of the Offshore Manufacturing Centre

32 This is based on land valuation prepared by external evaluators for TeesWorks

33 General Electric, SeAH Wind Ltd, Net Zero Teesside

34 It is assumed that all capital expenditure must be incurred within two years to ensure compliance with Freeport Programme and also to ensure the availability of the site to meet the supply chain needs of the offshore energy sector

35 It is assumed that there will be full occupancy of the site within the programme period (for the immediate site) in wages will occur. To keep analysis consistent with the methodology agreed with BEIS economists for our previous business case for the TOMC, and to attribute seed investment directly to benefit, these wider benefits have not been included in the BCR.

200. The land uplift model was applied to assess value for money (BCR and NPV) using the cost to the public sector (Central and Local Government) and applied to the following do something options. The calculations behind these tables are found in Annex Ib.

Table 1: Description	**NPV (C.)**	**BCR**
Option 1: Status Quo	**n/a**	**n/a**
Option 2: Do Something – Development of a 3 Sector Freeport Proposition: Communities Cap Proposal (£25m) (Total cost: 130 ha @ £0.431 =£55.9m, public cost £41.5m)	**£79,190,836**	**1:2.94**
Option 3: Do Something – Minimum Viable Ask: Development of a 2 Sector Freeport Proposition (£15m) (Total cost: 60.7 ha @ £0.431; £26.2m public cost £26.2m)	**£30,029,841**	**1:2.17**
Option 4: Do Something – Development of an Integrated 3 Sector Freeport Proposition (£33.5m). (Total cost: 130 ha @ £0.431 + contingency, £63.9m, public cost £50m)	**£70,647,513**	**1:2.44**

201. Option 2 is identified as the preferred option, with an NPV of £79.2m and a BCR of 1:2.94.

202. The funding to remediate 130 ha of land includes £14.4m of non-public costs. £14.4m would pay for 33 ha of land in Options 2 and 4. If the benefit of land uplift value from these 33 ha are removed, (Option 3, is wholly publicly funded, with no deduction for non-publicly funded element) the following occurs which provides a more direct attribution of land uplift benefit to the public cost and shows Option 2 as the preferred option:

Table 2: Description	**NPV (C.)**	**BCR**
Option 1: Status Quo	**n/a**	**n/a**
Option 2: Do Something – Development of a 3 Sector Freeport Proposition: Communities Cap Proposal (£25m) (Total cost: 97 ha @ £0.431, £55.9m, public cost £41.5m)	**£48,490,515**	**1:2.19**
Option 3: Do Something – Minimum Viable Ask: Development of a 2 Sector Freeport Proposition (£15m) (Total cost: 60.7 ha @ £0.431; £26.2m public cost £26.2m)	**£18,728,798**	**1:2.16**
Option 4: Do Something – Development of an Integrated 3 Sector Freeport Proposition (£33.5m). (Total cost: 130 ha @ £0.431 + contingency, £63.9m, public cost £50m)	**£40,277,815**	**1:2.82**

Sensitivity Analysis

203. Median local land value has been used throughout this analysis. We now have evidence of three tenants, and the land value achieved has remained the same at £988,000 per hectare / £400,000 per acre. The table below is indicative of expected remediation costs on the range of land parcels, the average cost used in the analysis, drawn from our financial case, fits within the range provided.

204. The calculations behind these summary tables are found in Annex Ib

205. **Sensitivity analysis of a 20% reduction in land value uplift is provided below**

Table 3: Description	NPV (C.)	BCR
Option 2: Do Something –Development of a 3 Sector Freeport Proposition: Communities Cap Proposal (Total cost: 130 ha @ £0.431, £55.9m, public cost £41.5m)	**£55,198,009**	**1:2.35**
Option 3: Do Something –Minimum Viable Ask: Development of a 2 Sector Freeport Proposition (Total Cost 60.7 ha @ £0.431; £26.2m public cost £26.2m)	**£18,895,413**	**1:1.74**
Option 4: Do Something–Development of an Integrated3 Sector Freeport Proposition 130 ha @ £0.431 + contingency, (Total cost £63.9m, public cost £50m)	**£46,720,811**	**1:1.95**

206. Following the analysis as above to remove the non-public costs again return Option 2 as the better value for money:

Table 4: Description	NPV (C.)	BCR
Option 2: Do Something –Development of a 3 Sector Freeport Proposition: Communities Cap Proposal (Total cost: 97 ha @ £0.431, £55.9m, public cost £41.5m)	**£30,637,752**	**1:1.75**
Option 3: Do Something –Minimum Viable Ask: Development of a2 Sector Freeport Proposition 60.7 ha @ £0.431; (Total Cost £26.2m public cost £26.2m)	**£18,728,798**	**1:1.73**
Option 4: Do Something–Development of an Integrated 3 Sector Freeport Proposition 97 ha @ £0.431 + contingency, (Total cost £63.9m, public cost £50m)	**£22,425,052**	**1:1.45**

207. Sensitivity analysis to test switching based on two assumptions:

- Minimal land value uplift necessary to create a BCR of 1; and
- Maximum increase in land remediation costs to create a BCR of 1.

208. In line with Departmental direction, only public grant funding has been costed into the calculation. Table 1 shows Option 2 returning a BCR of 1:2.94, based on costs of £0.431 per hectare and land value uplift of £969.5k per hectare for 97 hectares

209. The sensitivity calculations are provided in Annex Ib, and summarised here:

- The minimal land value uplift necessary to create a BCR of 1, is £313.4k per hectare
- The maximum increase in land remediation costs to create a BCR of 1, is £922.1k per hectare

210. Since the OBC, as the regeneration work progresses, more robust costs are available. Cost analysis is based on data from 2020/21 provided by the site developer. This table shows the estimated total cost to remediate the proposed 349 ha of tax land as £143.247m. This is an average cost per ha of £410k.

Land Parcels included in Tax Sites	Tax Site Name	Hectares	Est Remediation Cost inc 20% contingency £m	Average Est Cost per hectare inc 20% contingency £k	Complexity

South Bank	West	130	61.0	**469**	High
Dorman Point	West	40	10.7	267	Low
Lackenby	West	29	28.4	979	High
Steel House Area	East	36	11.5	320	Moderate
The Foundry	East	113	31.6	279	Low
Total		**349**	**143.2**	**410**	**Moderate**

211. The current actual average cost of remediation is running at (140k per acre) £346k per ha, which included a site on the Prairie with elevated costs, the more usual costs to date are (£120k per acre) £296k per ha. (Actual cost data from Teesworks as at 14.1.22.) Knowing the actual costs returned are within the estimated cost envelope, gives comfort that the remediation of the 130 ha (the subject of this economic analysis) will provide value for money should there be a variance of costs and/or benefits.

2biii. Qualitative Benefits Appraisal

212. The following table assesses those critical success factors which are not readily quantified, are wider than the BCR calculation or which may not solely be attributable to this intervention. Assumptions on weighting:

- The following are core critical success factors for the Programme (Establishing national hubs for global trade and investment, Regenerating and Levelling Up and Creating hotbeds of Innovation) and have therefore been accorded an equal weighting of 30%; and
- Demonstrating the long-term viability of sector driven freeports, is not specific to the Programme and relates to two strategic ambitions of Tees Valley Combined Authority, to develop, through a freeport approach, the necessary supporting infrastructure (hard and soft) to act as a catalyst to the development of a net zero cluster. This has therefore been accorded a weighting of 10%.

	Weighting	**Scoring**	**Option 1** Status Quo	**Option 2** 3 Sector Spend Cap	**Option 3** Min Viable 2 Sector	**Option 4** 3 Sector Exceptional Spend
Establishing national hubs for global trade and investment	30%	0-10	1(30)	10(300)	6(180)	**10(300)**
Regenerating and levelling up	30%	0-10	1(30)	8(240)	6(180)	**10(300)**
Creating hotbeds of Innovation	30%	0-10	1(30)	10(300)	6(180)	**10(300)**
Demonstrate the long-term viability of sector driven freeports	10%	0-10	0	10(100)	6(60)	**10(100)**
Scoring			90	940	600	**1000**
Ranking			4th	2nd	3rd	**1st**

213. Rationale for weighting and comparative scoring:

- **Establishing national hubs for global trade and investment**: Option 4 scores joint highest of the three "Do Something" options along with Option 2, as both aim to support three sectors which cumulatively will have global reach. Option 3 comes in second place as it is only supporting two sectors. We believe that rather than dissipating impact, attracting three complementary sectors (offshore energy (wind) manufacture and assembly, chemicals and process and advanced manufacturing life sciences), will bring benefits to the long-term competitiveness of the site, through both industrial symbiosis (circular economy) and knowledge transfer (process, knowledge and networking impacts). Industrial symbiosis/circular economy solutions will predominate in the short run, when decommissioning and by products from the existing chemicals industry will provide raw materials and power for other sectors on the site (principally the construction and assembly of offshore wind), however as the site matures there is the possibility of further higher value adding activities being co-located, such as the use of new materials being developed to meet offshore needs and delivered by the chemicals and process sector and secondly knowledge spill overs between the mature chemicals sector and the infant advanced manufacturing life sciences sector. The overall impact is to rejuvenate the existing chemicals and materials sector at the same time as enhanced cost competitiveness and access to onsite knowledge transfer acts as a catalyst to the growth to two infant industries at both the region and nation ((offshore energy and advanced manufacturing life sciences) levels. The scale of the site and the uniqueness of the industrial configuration provides a unique selling point to establishing a national hub for global trade and investment, through the development of a three-sector cluster.

- **Regenerating and levelling up**: Although Options 2 and 4 will remediate the same amount of land, Option 4 scores higher of the two due to the greater certainty that it can be delivered on time and to the requisite quality necessary to attract inward investment (plug in and play). This is as a consequence of spending more money on direct provision of key infrastructure, rather than depending on the market (in essence it addresses a coordination market failure). Timing of inward investment is critical given the necessity to meet the contract obligations of the offshore wind sector, which is highly labour intensive and inward investors need the certainty of plug in and play provision to minimise potential disruption. Option 3 comes in third place as it is only supporting remediation/regeneration on a reduced scale and will therefore not make a material impact on either place regeneration or levelling up.
- **Creating hotbeds of innovation:** Option 4 scores joint highest of the three "Do Something" options along with Option 2, as both aim to create a mutually reinforcing three sector innovation base. Option 3 comes in second place as it is only supporting two sectors. We believe that rather than dissipating impact, attracting three complementary sectors (offshore energy (wind) manufacture and assembly, chemicals and process and advanced manufacturing life sciences), will bring benefits to the long-term competitiveness of the site, through both industrial symbiosis (circular economy) and knowledge transfer (process, knowledge and networking impacts). Industrial symbiosis/circular economy solutions will predominate in the short run, when decommissioning and by products from the existing chemicals industry will provide raw materials and power for other sectors on the site (principally the construction and assembly of offshore wind), however as the site matures there is the possibility of further higher value adding activities being co-located, such as the use of new materials being developed to meet offshore needs and delivered by the chemicals and process sector and secondly knowledge spill overs between the mature chemicals sector and the infant advanced manufacturing life sciences sector. The overall impact is to rejuvenate the existing chemicals and materials sector at the same time as enhanced cost competitiveness and access to onsite knowledge transfer acts as a catalyst to the growth to two infant industries at both the region and nation ((offshore energy and advanced manufacturing life sciences) levels. The uniqueness of the industrial configuration provides a unique selling point to establishing a hot bed of innovation through industrial symbiosis and knowledge transfer through the development of a three sector cluster.
- **Demonstrate the long-term viability of sector driven freeports**: This non-monetary factor is about proving the case for sector driven freeports through the provision of a strong evidence base. Options 2 and 4 score joint highest of the "Do Something" options, as they will both support the establishment of digital solutions to track all revenue on and off site and encourage supply chain integration and enhanced circular economy applications, both of which will increase the productivity of companies based on the Freeport and further tie them into the UK market. Option 3 scores lowest of the "Do Something" options as it is only supporting one sector and, unlike the other two options, will not be able to promote cross-sectoral integration through circular economy solutions and more importantly be able to track and prove the impact.

214. Option 4 is the preferred option from this test; however, the funding is limited so Option 2 is the actual option to take forward.

2biv. Wider Impacts

215. **The preferred option, Option 2: Do Something – £25m Seed Funding to support the development of a 3 Sector Freeport Proposition, will deliver the following benefits**:

- £20m of public sector match funding will also be spent on site remediation (from BEIS Teesworks Offshore Manufacturing Business Case). This will remediate and prepare 130 hectares of tax land which will have an immediate land uplift of £126m.
- £14.4m private sector match is anticipated. This will come forward based on investor need borrowed against the capitalisation of lease income.
- The Seed Funding will facilitate the establishment and delivery of the Teesside Freeport which will lever in an additional £1.3bn of complementary capital investments.

216. **The Freeport designation achieved in November 2021 will:**
- Develop and deploy a targeted inward investment proposition aimed at gaps in existing supply chains (higher value adding) – offshore wind, chemicals, and Clean Tech – by 2022.
- Attract of Tier 1/Apex company by 2023.
- Become a leading destination (job announcements) in the UK for inward investment in Clean Tech by 2025, attracting new (not displacing) jobs and investment.
- Generate £3.2billion of additional GVA regionally.
- Promote clustering (agglomeration) shown by a 30% increase in regional complexity scores (Net Zero/clean tech cluster) by 2030.
- Use the five cross-sectoral collaborative networks, levering in £20m of R&D support by 2025.
- Support a 20% increase in business Green Energy[36] Intensity (target sector and supply chain) by 2030.
- Support a 20% increase in business Research Intensity[37] in target sectors by 2030.
- Apply the TVCA equalities framework and maximise social and economic benefit for the residents of Tees Valley first.
- Use the TVCA Skills plan to support and grow the local labour market.
- Contribute to Levelling Up: Contributing to the reduction by 75% of the Tees Valley Output gap with
- the rest of the UK on full capacity of the Freeport (2019 baseline and gross impact).

217. **Assessment of Value for Money Using BCR for other Government and Tees Valley specific support**

In assessing value for money for the entire suite of Government support, we have included the following headings from across the public sector. The calculations are in Annex Ib:

- Central Government support under the Freeport Programme, pre-discounting:
  - Seed capital: estimated to be £25m[38]
  - Other public monies estimated to be £37m[39]
  - Business Rates Relief estimated to be £152m[40]
  - Structure and Buildings Allowance estimated to be £0[41]
  - Enhanced Capital Allowance estimated to be £24m[42]
  - National Insurance Allowance estimated to be £182m[43]
  - Stamp Duty Land Tax estimated to be £5.7m[44]

The rationale for the use of these funds and their additionality is clearly expressed in paragraph 54 of the Full Business Case.

- Other Public Sector Support (Pipeline Only[45]):

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36 *The percentage of energy sourced from sustainable sources.*
37 *Expenditures by a firm on its research and development (R&D) divided by the firm's sales.*
38 This is based on Option 2: £21.5m and Installation of full fibre and 5Gdigitalinfrastructure to enable Teesside Freeport connectivity, and applications to increase productivity: £3.5m Total £25m
39 This is based on Option 2 £37m of additional expenditure
40 This is based on estimates prepared by WSP, see Annex Mb Business Rates Incidence and Rate of Take Up and has been profiled for 10 years
41 This is based on estimates prepared by WSP, see Annex Mb Structure and Buildings Allowance and has been profiled for five years
42 This is based on estimates prepared by WSP, see Annex Mb Enhanced Capital Allowance and has been profiled for five years
43 This is based on estimates prepared by WSP, see Annex Mb National Insurance Allowance and has been profiled for 10 years
44 This is based on estimates prepared by WSP see Annex Mb Stamp Duty Land Tax and has been profiled for five years
45 We have selected only pipeline (anticipated) expenditure, as other expenditure is a sunk cost, and cannot be robustly assessed as being conditional on support being provided by Government for the Freeport. All expenditure under this heading is conditional in the Freeport happening.

- Create Hotbeds for innovation estimated to be £16.5m[46]
- Promote Regeneration and Job creation estimated to be £634.1m[47]
- National Hub for Global Trade estimate to be £35m[48]

- Economic Impact:
  - This is based on the assumption of the sites accommodating 41,760 direct jobs which cumulatively have a direct economic impact of £2.37bn per annum on full occupancy[49]

The economic impact from all of the above, over 10 years, provides a NPV of £8.5bn, BCR of 1:9.66

2bv. Risk Appraisal

218. The following table identifies several risks associated with the development and delivery of the Freeport, these have been applied to each of the options and assessed against two criteria:
- Likelihood (Scored Low to High 1-3); and
- Impact (Scored Low to High 1-3).

Type of Risk	**Option 1** Status Quo	**Option 2** 3 Sector Spend Cap	**Option 3** Min Viable 2 Sector	**Option 4** 3 Sector Exceptional Spend
Land Assembly	(1/1) 1	(2/3)6	(2/2)4	(2/3)6
Planning	(1/1) 1	(2/3)6	(2/2)4	(2/3)6
Construction	(1/1) 1	(2/2)4	(2/2)4	(2/2) 4
Funding	(1/1) 1	(2/2)4	(2/2)4	(2/2)4
Continued Shared Ambition/Partnering	(1/1) 1	(2/2)4	(3/3)9	(2/2)4
Government Change of Strategy	(1/1) 1	(1/1)1	(1/1)1	(1/1)1
Cost Escalation	(1/1) 1	(3/3)9	(2/2)4	(3/1)3
Demand	(1/1) 1	(2/3)6	(2/2)4	(2/3)6
Income/Post Project Sustainability	(1/1) 1	(2/2)4	(2/3)6	(2/3)6
Impact	(1/1) 1	(2/2)4	(3/2)6	(2/2)4
Scoring	**N/A**	**48**	**46**	**44**
Ranking	**N/A**	**3rd**	**2nd**	**1st**

219. Option 4 is the preferred option. Option 3 was considered slightly higher risk, as there is limited opportunity for developing shared ambition across the proposed three sectors as only one tax site is being supported, it also is considered higher risk as there is a reduced opportunity due to the constrained site for income generation and wider economic impact. Option 2 is considered the highest risk, solely down to cost escalation due to land remediation and site preparation. Given the size of the site, its industrial legacy and the tight timeframe for delivery, there is both a high impact and high likelihood of this happening and the opportunity to utilise exceptional funds under Option 4 could largely mitigate this risk.

220. The risk appraisal has identified and confirmed the scale of risk against key options. The optimism bias and sensitivity tests in 2bii above have been utilised to quantify the impact of risk on ordering.

2c. Preferred Option

221. The following table summarises the various appraisals above to show the rationale for selecting the preferred option:

	Option 1 Status Quo	**Option 2** 3 Sector Spend Cap	**Option 3** Min Viable 2 Sector	**Option 4** 3 Sector Exceptional Spend
NPV (Public Monies only)	n/a	£79.2m (1st)	£30m (3rd)	£70.6m (2nd)
BCR (Public Monies only)	n/a	1:2.94 (1st)	1:2.17(3rd)	1:2.44 (2nd)
Non-monetary Assessment	n/a	2nd	3rd	1st
Risk Assessment	n/a	3rd	2nd	1st

[46] See Paragraph 134 of the Freeport Business Case, spend has been profiled for the last three years of the five-year programme period.
[47] See Paragraph 134 of the Freeport Business Case, spend has been profiled for the last three years of the five-year programme period.
[48] See Paragraph 134 of the Freeport Business Case, spend has been profiled for the last three years of the five-year programme period.
[49] The revised job density figures have been provided by WSP and are a revised down figure from that produced by Vivid Economics for the SOBC and OBC in early 2021

Ranking	**n/a**	**1st**	**3rd**	**2nd**

3.Financial Case

Key Messages:

- An indicative allocation of £25m of Seed Funding was confirmed on designation through the OBC submission. This will be invested in land remediation costs for 130-hectares on the Teesworks West tax site and digital infrastructure within the Freeport, split £21.5m and £3.5m respectively.
- The Wilton site has not been selected for seed capital investment as it does not need remediation to be marketable, it is 'plug and play' ready.
- TVCA has a strong track record of managing public funds through the TVCA Assurance Framework which meets the requirements of the National Guidance published by MHCLG (now DLUHC) and covers all departments including MHCLG, BEIS and DfT.
- All investments will be managed through this framework and overseen through the Freeport and TVCA governance arrangements.
- Cost analysis provided for the OBC was based on whole site cost estimates from 2020/21 provided by STDC. Due to the high level of contamination on site from previous land use, the estimated average costs per ha are £410k.
- We are seeking £21.5m of Seed Funding to contribute to a £56m funding pot to remediate 130 ha of tax land.
- The detailed activities of the £3.5m Seed Funding allocated to the 5G digital infrastructure & test bed are not fully developed. TVCA is working with a private sector investor to provide full fibre infrastructure to the Tees Valley, it remains confidential due to the commercial negotiations taking place, however, a Memorandum of Understanding has been signed.
- It is proposed that Government funding is devolved to TVCA through existing devolution arrangements, as a Section 31 grant paid quarterly in advance.
- There are varied pre-existing arrangements for retained business rates within the Freeport. Modelling 25 years of income from retained business rates has been carried out by the Freeport Hub (Annex Mb). This has identified an additional (present value) £77m that could be retained locally as a result of Freeport
- In the first year it is currently projected that £1.2m of costs will be incurred to establish the Freeport, which will be funded through £300k already granted by DLUHC, and match funding through TVCA funds.
- Costs from 2022/2023 onward will then remain c.£1m annually with the Freeport able to sustain itself by 2024. The lean structure of the Teesside Freeport draws upon the resources in place at TVCA (as shown in the section 5b) significantly reduces operating costs.
- Overall, given our financial modelling and sensitivity analysis we propose that with the £25m funding the Freeport would be able to achieve the goal of becoming a self-funded operation by 2025, and begin generating revenue through business rate retention by 2023.
- The high-level financial risks have been identified as *Seed Funding Not Secured, Lack of Infrastructure to Support Freeport, Increased Costs and Delays in the Freeport Generating Revenue*, for all, mitigation is in place and is being reviewed regularly by the Freeport Team and the Group Risk Team.

3a. Financial Resources and Budgets

222. The Financial Case demonstrates the affordability of the proposal given the prospective Freeport's indicative seed capital allocation of £25m.

223. TVCA has created the model to assess the viability of the proposal. Annex Ia provides the data and calculations for the capital costs and operating costs.

224. The capital Seed Funding will be invested on land remediation costs of 130-hectares in the Teesworks West tax site and digital infrastructure, split £21.5m and £3.5m respectively. This provides comfort to DLUHC as the investment remains fully in the public sector, and within the control of TVCA Group, under the established assurance framework. As the remediation is for abnormal costs of contaminated land, this also mitigates any potential subsidy control risk.

225. TVCA has a strong track record of managing public funds through the TVCA Assurance Framework which meets the requirements of the National Guidance published by MHCLG (now DLUHC) and covers all departments including DLUHC, BEIS and DfT. It provides Government with a guarantee that TVCA is

accountable for all funds in a way that is consistent with their practices and sets out the local governance arrangements. It fully devolves the responsibility for programme management, developing projects, assurance & due diligence, making investment decisions, managing delivery and the monitoring and evaluation of investments. Following this framework ensures all decisions are open, transparent and demonstrate value for money.

226. All investments will be managed through this framework and overseen through the Freeport and TVCA governance arrangements. This will provide robust governance and risk mitigation for investment to meet Freeport objectives.

227. The Teesworks West site has been selected for the remediation investment, as it is currently undeveloped, and tax site status has secured investor interest from SeAH to the TOMC. The TOMC is adjacent to the South Bank Quay, which is being reinstated to provide direct access onto the River Tees. The Quay is required to support the offshore manufacturing facilities, the first being for SeAH's 1.1m sq ft Monopile factory. Once this initial development is complete, the resulting asset can be used as leverage to raise further finance to develop the next phase of land.

228. The Wilton site has not been selected for seed capital investment as it does not need remediation to be marketable, it is 'plug and play' ready.

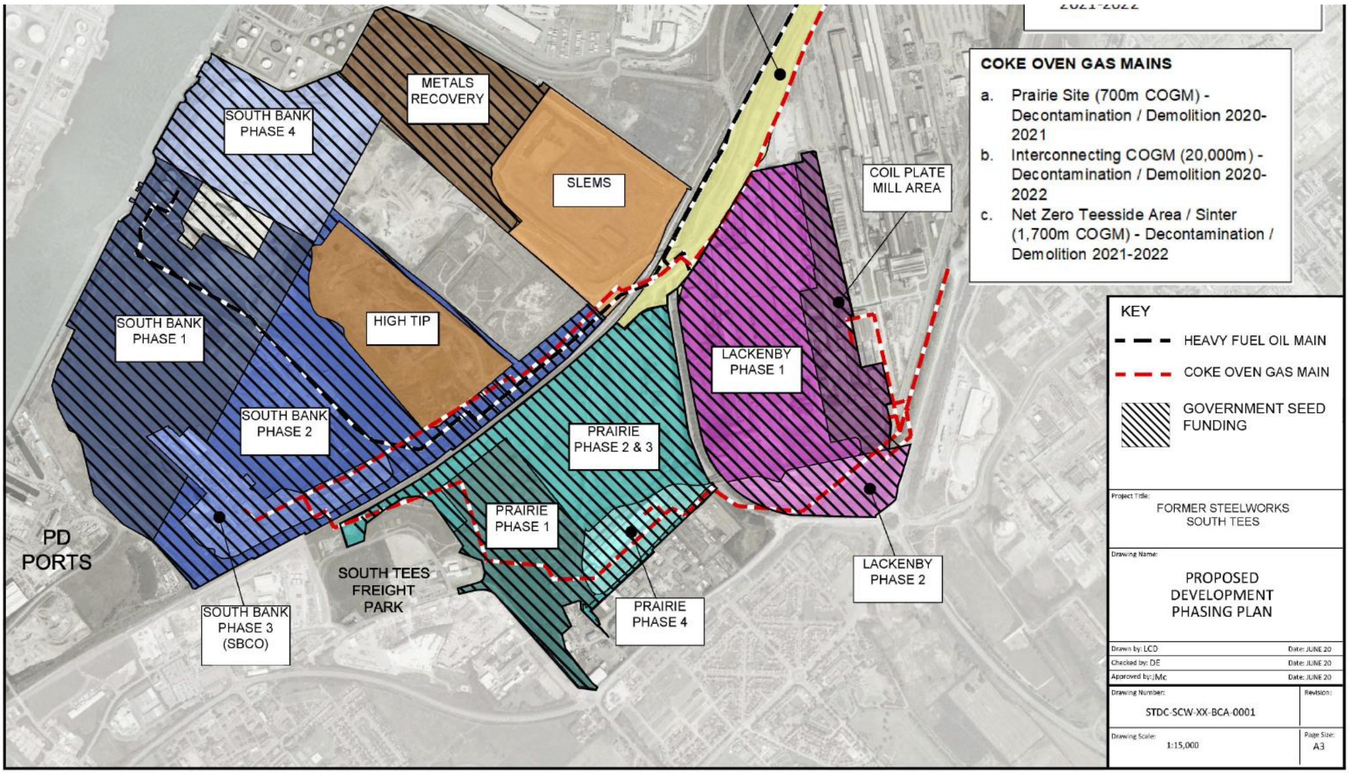
229. Site remediation cost estimates are based on costs experienced to date, and expectations around requirements for other sites. The purpose of land remediation is to create a site that is ready for development. This means land remediation costs can vary significantly based on the issues and obstructions uncovered in the process. The table below summarises the range of expected costs for different levels of site complexity from "High", which results in the highest cost, to "Low", which results in the lowest cost. For comparison, the actual cost per hectare of remediation on the Teesworks site to date is £346k per hectare, which falls between the "moderate" and "significant" categories. These estimates are without contingency applied.

Complexity	Definition relating to South Tees	Rate per hectare (£k/ha)	Rate per acre (£k/acre)
High	Potentially high levels of contamination likely from hazardous former site uses, and reasonably widespread within the land parcel, including buried tanks and other ground hazards, etc (e.g., coke works and related bi-products storage, heavy-end processes such as ironmaking, steelmaking, etc). Foundations and other ground obstructions prevalent, and to significant depths. Full remediation to create a blank canvass for development. Site is delivered unconstrained from a development perspective.	500	200
Significant	Significant contamination likely in discrete locations, where certain areas of the site were occupied by contaminative uses and some areas not. Foundations and other ground obstructions prevalent, occasionally to significant depths. Full remediation to create a blank canvass for development. Site is delivered unconstrained from a development perspective.	375	150
Moderate	Moderate levels of contamination possible in discrete locations. Foundations and other ground obstructions occasionally encountered at shallow depths (within 2.5m depth from ground level). Typically, sites utilised for open storage of raw materials and the transportation thereof. Full remediation to create a blank canvass for development. Site is delivered unconstrained from a development perspective.	300	120

Complexity	Definition relating to South Tees	Rate per hectare (£k/ha)	Rate per acre (£k/acre)
Low	Low levels of contamination likely. Typically, areas previously utilised for steel product manufacture (e.g., mills) founded on ground slabs with hard standings, where obstructions are within a 2.5m depth from ground level. Areas relatively free of underground obstructions, and/or areas where it is proposed to retain certain buildings for future use - hence, partial remediation. Full remediation to create a blank canvas for development. Site is delivered unconstrained from a development perspective.	250	100

Source: *Remediation unit costs (2021-22) STDC*

230. Based on 2020/21 cost analysis provided by STDC, the estimated costs to remediate the 130-hectares of tax land (excluding SLEMS site) is £53.3m. Due to the previous heavy industrial use this falls between significant and high at £410k per hectare. The map below shows the sites where the £53.3m (£25m of Seed Funding) will be deployed. *Source: adapted from STDC Regeneration Business Case*



231. SLEMS is a 27ha parcel of land within the Teesworks West tax site, this is included in the tax site to ensure the site is contiguous, however due to high landfill tax, the cost to unlock this land parcel is prohibitive.

232. Delivery of the Freeport as set out in this business case is not dependent on this land coming forward, however the potential benefits are set out in the Economic Case for illustrative purposes only.

233. The current actual average cost of remediation is running at (£140k per acre) £346k per ha and this includes sites with variable needs and in some cases elevated costs. Based on these assumptions the remediation of 130 ha is affordable.

234. The Seed Funding adds significant value by allowing the immediate development of the site, rather than alone. We anticipate that this will accelerate re-development of the listed sites by up to 6 years compared to the dates of phased work scoped by the STDC Masterplan. In terms of achieving economic benefit, this is accelerated by up to 5 years, as outlined in the Economic Case.

235. The works on site are proceeding at pace, in the current year it is anticipated £105m will be spent across all the whole Teesworks Site (inc the Teesworks West tax site), so the profile of seed capital expenditure as indicated in the table below is cautious and could be brought forward. Until funds are drawn down the development will continue to be cash flowed by TVCA at risk.

236. The detailed activities of the £3.5m Seed Funding allocated to the 5G digital infrastructure and test bed are not fully developed. [redacted]

237. This project will deliver 5G infrastructure and establish test beds at Freeport sites. The Freeport Bidding Prospectus states that seed capital on digital infrastructure will only be considered in exceptional circumstances. Digital infrastructure for Teesworks is an exceptional circumstance. The Teesworks site was historically used for heavy industries such as steel making, before the digital revolution. We are now looking to attract advanced, future ready manufacturers who require fast, reliable telecoms connections. This is a fundamental requirement for all inward investors. Therefore, this digital investment should be considered in the same way as small-scale transport infrastructure, which is allowed under the Freeport Prospectus. They are both necessary investments to make sites viable.

238. In addition, the 5G infrastructure will enable testing of various digital applications, supporting Frictionless Trade movements. We propose to use the Seed Funding specifically on above ground 5G infrastructure.

239. With the 5G investment at an early stage of development, we confirm that we will work collaboratively with the TVCA Digital Team to ensure that the cost proposal is developed in line with examples of industry best practice such as The Green Book, IPA Cost Estimating Guidance and The Construction Playbook.

240. When the 5G project is ready to be delivered, the TVCA Digital Team will develop a proportionate project business case that will be signed off by TVCA through its Assurance Framework.

241. The table below summarises the capital and revenue expenditure referred to in this business case, and how it will be funded. The first three sections in the table below shows the capital investments associated with the Freeport. The additional funding is £34.4m in total, secured by TVCA to support remediation and preparation of part of the Teesworks West site, is from both public and private sources. £20m of this balance is secured funding from BEIS to establish an Offshore Manufacturing Centre and is anticipated to be spent before the end of the financial year 2021/22 on the wider Teesworks West site. The remaining £14.4m will be sourced privately by TVCA when required, generated by lease capitalisation in line with investor need.

242. As referenced in section 1dii, section 4 below shows the total investment for confirmed projects. The funding of these is not linked to any of the Freeport Seed Funding or future business rates income. The profile of expenditure is simplified based on estimated commencement and completion dates of the projects. All these projects support or complement the achievement of Freeport objectives and provide wider support and place-based regeneration. For a detailed breakdown of the wider investments in and around the Freeport area please see Annex R.

243. **The revenue costs** to operate the Freeport are set out in Annex Ia, in the OpEx tab, and summarised in the table below in Section 6. Costs include employee costs for the governance and oversight of the Freeport, marketing, security and policing and procurement costs for initial set-up. There are many costs that are covered 'in kind' as part of the business-as-usual operation of TVCA. The lean matrix structure of the Teesside Freeport draws upon the resources in place at TVCA (as shown in the section 5b) significantly reduces operating costs.

244. It covers the pre income development phase and assumes the receipt of seed revenue funding for the first three years from DLUHC as proposed. The shortfall in income is provided by TVCA in year 1, assuming that business rates are received to cover the difference between the seed revenue in future years. TVCA will continue to cashflow if required until the Freeport is sustainable from STDC's share of retained business rates from Teesworks.

245. It is proposed that Government funding is devolved to TVCA through existing devolution arrangements, as a Section 31 grant paid quarterly in advance. Providing the funding through this mechanism will ensure the project has the flexibility to deal with unexpected issues on a complex site effectively, thereby mitigating the risk to delivery of the project. An essential flexibility to support this delivery model is the ability to carry forward or accelerate expenditure across financial years; the alternative would mean a potential reduction in budget annually based on traditional 'underspend' methodology. This will align with existing payment arrangements TVCA has with BEIS and DLUHC. The TVCA Assurance Framework sets out how TVCA will manage the funds and deal with any changes to the Project.

Expenditure Description	Funding source (e.g., organisation name)	2021/22 £m	2022/23 £m	2023/24 £m	024/25 £m	25/26 to 46/47 inclusive £m	Total £m
1 Seed capital (indicative budget lines)							
1a Land Remediation & Site Preparation	DLUHC Seed Capital		21.5				21.5
1b Full Fibre Infrastructure and 5G IoT Application Testing / Development				1.75	1.75		3.5
Total		**0.0**	**21.5**	**1.75**	**1.75**		**25.0**
2 Match capital funding –private							
Land Remediation & Site Preparation	Leasehold Financing (TVCA)		7.2	7.2			14.4
Total			**7.2**	**7.2**			**14.4**
3 Match capital funding –Public							
Land Remediation & Site Preparation	BEIS	20.0					20.0
Total		20.0					20.0
Total Land Remediation Costs 1a + 2 + 3		**20.0**	**28.7**	**7.2**			**55.9**
4 Complementary capital investments							
As Section 1d ii	Misc. full details in Annex R Confirmed NB Profile estimated	500	750	600	314		2164
Total		500	750	600	314		2164
5 Other capital expenditure							
Other Capital Expenditure							
Total Capital Costs		520	770.45	608.95	315.75		2,223.4
6 DLUHC revenue funding (indicative budget lines) See Annex 1a tab OpEx							
Governance (incl delivery team, finance officer and admin support	DLUHC Seed Revenue Funding Supported by TVCA Until paid by STDC from retained business rates	0.40	0.49	0.50	0.50		1.89
Procured Services		0.15	0.05	0.05	0.05		0.3
Legal & Audit							
Marketing, Communications & Stakeholder Engagement		0.11	0.155	0.16	0.16		0.58
Security and Policing (Teesworks Site Management)		0.52	0.26	0.27	0.27		1.32
Customs Site Delivery (currently Casper's, procured contract included in Governance)							
Business Development / Trade and Investment Usual Business of TVCA and Freeport Landowners / Partners							
Innovation TVCA funded Usual Business of TVCA	TVCA	0.0	0.0	0.0	0.0		
Skills TVCA funded Usual Business of TVCA	TVCA	0.0	0.0	0.0	0.0		
Net Zero TVCA funded Usual Business of TVCA	TVCA	0.0	0.0	0.0	0.0		

Expenditure Description	Funding source (e.g., organisation name)	2021/22 £m	2022/23 £m	2023/24 £m	024/25 £m	25/26 to 46/47 inclusive £m	Total £m
Planning LA funded Usual Business of LA	LA	0.0	0.0	0.0	0.0		
Premises Costs / overheads Within TVCA costs in Governance	TVCA	0.0	0.0	0.0	0.0		
Total		1.18	0.96	0.97	0.99		4.1
7 Match revenue funding –private							
Add rows as needed							
Total							
8 Match Revenue funding - public							
From STDC Retained Rates See third table below for business rates income projection		-	-	0.62	0.99		2.22
DLUHC		0.3	0.35	0.35			1.0
TVCA		0.88	0.61				0.88
Total		1.18	0.96	0.97	0.99		4.1
Capital & Revenue Expenditure Grand Total		531.2	771.4	610.0	315.0		2227.6

246. Section 6 in the table above summarises the revenue costs for the operation of the Freeport. The proposed matrix structure of the Freeport team is outlined in the management case and draws from the expertise within TVCA and will build capacity as required. This minimises costs to the public purse and uses existing strengths.

247. The initial years of the Freeport will be funded by the revenue grant from DLUHC with the balance required cash flowed by money lent by TVCA. The table assumes the 3-year revenue grant from DLUHC will be received. As the tax sites become occupied, business rate income will be generated. The arrangements on retention are set out in section 1di3. The Development Corporation status applicable to the Teesworks Tax Sites allow for 50% of the business rates generated from the site to be retained by STDC for the ongoing investment in remediation of the site i.e., the business rates are already promised to STDC to develop the site prior to achieving Freeport status. However, this income retained by STDC can be used to cover the revenue costs as required, but commitments are already in place to repay the funding provided by TVCA. Should the anticipated DLUHC funding not be received, TVCA may continue to cashflow the Freeport until business rate income is received to be sustainable. However, this is not the preferred option as it places an additional demand on the income stream, which reduces the funding available and would delay investments in further remediation and delay sites attracting occupants, which would reduce future business rate receipts.

248. Modelling of income from retained business rates has been carried out by the Freeport Hub. The assumptions and methodology are in Annex Ma, and the calculations are in Annex Mb. The first table below sets out the anticipated absolute business rates across the three sites. One of the freeport levers is business rates relief for the business, the income however is still received by RCBC and STDC, as central government covers the cost of the relief.

Tax Site Name £m	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031-46
Teesworks West	-	-	1.1	6.9	10.2	10.2	10.2	10.6	10.6	10.6	194.7
Teesworks East	-	-	0.86	2.9	4.3	9.4	11.3	12.4	12.6	12.6	232.1
Wilton	-	-	1.5	3.0	4.5	6.0	7.5	9.0	10.5	12.0	203.6

International										
All Tax Sites	**-**	**-**	**3.4**	**12.7**	**19.0**	**25.6**	**29.0**	**32.0**	**33.7**	**35.2**	**630.4**

Source: Annex Mb Teesside Freeport Financial Assessment of Benefits, 25 yr. bus rates tab. Lookups: All Tax Sites, Freeport Case, 100% retention

249. The retained business rates arrangement as set out in the Development Corporation allows 50% of the business rates income to be retained by STDC for investment on the site. This table provides an indication of future funds available, to show that there will be funds available to cover the revenue costs of Freeport, and the future investment in site remediation.

Tax Site Name £m	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031-46
Teesworks West 50%	-	-	0.53	3.4	5.1	5.1	5.1	5.3	5.3	5.3	97.4
Teesworks East 50%	-	-	0.43	1.45	2.15	4.7	5.7	6.2	6.3	6.3	116.1
Teesworks West & East Tax Sites to STDC	**-**	**-**	**0.96**	**4.85**	**7.25**	**9.8**	**10.8**	**11.5**	**11.6**	**11.6**	**213.5**

250. There is a pipeline of interest in the tax sites, however this is commercially sensitive and not for disclosure. TVCAs inward investment team works with private and public sector partners to help businesses looking to invest in the area and already have a track record of working on key projects with Government departments such as International Trade and BEIS.

251. The Tees Valley has seen numerous positive developments in the last year, with the £850m investment by SABIC in restarting the Olefins 6 Cracker, £400m investment by Fujifilm Diosynth in expanding their life sciences campus and the first investment from UK Infrastructure bank into the new South Bank Quay of note, as the region continues to enjoy significant investment and interest across manufacturing, engineering, and logistics sectors, as well as new and emerging sectors such as renewable energy and the composites industries.

3b. Further Revenue Funding

252. The utilisation of seed capital funding will be in conjunction with the initiatives laid out in Section 3a, largely focusing on the remediation of land. The Freeport's ability to generate revenue through business rates is directly dependant on the viability of the land and ability for business to operate on these sites.

253. As set out in section 8 of the table above, in the first year it is currently projected that £1.2m of revenue costs will be incurred to establish the Freeport, which will be funded through £300k already granted by DLUHC, and match funding through TVCA funds.

254. Costs from 2022/23 onward will then remain c.£1m annually with the Freeport able to sustain itself once rental agreements are viable on the various sites. It is requested that the anticipated DLUHC funding is received, to remove this demand on the income stream, as this would reduce the funding available, delay investments in further remediation and therefore delay sites attracting occupants, which would reduce future business rate receipts.

3c. Financial Risk

255. Below we have extracted the current financial risks and opportunities as well as the plans in place to mitigate or exploit these. A full risk register is provided in Annex D. Dashboard summaries are in Annex Da, the data underpinning the summaries is in Annex Db, which allows drilling down into the detail.

256. There is a risk that continuous high inflation could lead to a funding gap in the early stages of the freeport's operation. The risk of any cash flow deficit is carefully managed. The workstream dedicated to the scrutiny of finances, is supported by the TVCA's Director of Finance and Resources, monitors the operational costs against budgets. To date, the operational costs of Teesside Freeport have been minimised as support has been drawn from TVCA's existing staff. Once operational, the team will be expanded to provide lead generation and inward investment capacity. Cashflow to cover operating expenses is covered by TVCA until payments from DLUHC until business rates income is received.

257. Should inflationary pressure impact on operating costs, these will be managed as above, reducing expenditure as required to mitigate the level of support required to be drawn down against future retained business rates. The Freeport Hub has calculated that the business rate income from the SeAH investment

alone will generate business rates from 2024. The business rates on 1.1m sq ft factory is estimated at £4.2m pa, this will more than 4 times cover the operational expenses of £965k pa. The calculations are available at Annex Mb OpEx tab and Mc. Should inflationary pressure impact on capital costs to provide the remediation and infrastructure required by businesses taking leases on the site, these costs would be passed on to the end user as lease costs will increase to reflect inflationary cost increases.

258. TVCA will fulfil its business development, trade and investment, innovation, skills, net zero activities and cover the operating overheads activities even if inflation remains at a significant level, as it is prudent and complies with CIPFA codes of conduct for managing public funds. Should inflation remain at a significant level, TVCA will carry out cost engineering exercises to manage budget. Should increased costs apply, these can be covered but would have to be repaid in future from retained business rates. The table below extracts risk information from August 2022, datasheet provided in full at Annex Db.

Risk Summary	Risk Consequences	Threat / Opport'y	Risk Approach	Risk Response	Treatment Action Plan
Delays in the freeport generating revenue	As a result of delays in making the Freeport zones fully business operational, rental income and subsequently business rates will not become receivable on the site. This will prevent the Freeport from achieving self-funded status as no revenue will be earned to offset operating costs.	Threat	Cautious	Treat	13/06/2022 First major contract due to break ground on 7th July SeaH wind. Regular engagement with key site stakeholders to understand interest and progression of rental agreements for each freeport zone. Regularly review and scrutinise final projects to ensure they remain accurate and complete.
Cost increases due to supply chain	As a result of supply chain issues in the current market, there is a threat that delays and increased material costs could result in a lack of infrastructure required to deliver the Freeport proposition.	Threat	Cautious	Tolerate	Cost increases are expected giving that inflation is currently higher than 5%. However, the delivery of each individual Freeport element will be on the basis on generating a commercial return. As a consequence the individual businesses will only invest when the commercial imperative is met. ***** 20/01/2022 Cost assumptions are based on live data. Contingency is built into the budget. Sensitivity modelling has been provided based on cost increase and value for money assessment. Strong programme and contract management arrangements. Strong governance through the TVCA Assurance Framework and Freeport Governance arrangements.
Completion of HMG critical actions	As a result of not completing HMG critical actions by there is a threat that we don't get FBC sign off, which would result in us not	Threat	Cautious	Treat	13/06/2022

Risk Summary	Risk Consequences	Threat / Opport'y	Risk Approach	Risk Response	Treatment Action Plan
	receiving business rates and seed funding of £25m.				HMG are delayed in providing feedback however have indicated that this will be received by end of June. 09/05/2022 Reduced Critical actions completed and submitted on 18th April as per HMG instructions these are now under review. Expected delays to HMG process. 22/03/2022 Risk score reduce to 9 - Allocated resource now in place. In addition, if we are delayed with submission is mitigated by having a follow up submission date which will mean we are not excluded from the process, consequently the £25m seed funding will be delayed but not at risk. 14/03/2022 Project team to be pulled together to address all 15 actions. Meeting to be arranged 15/16th March
Customs zones	In the event that Primary customer Zones and Tax sites are agreed, there is the opportunity to benefit from Duty flexibility (Moving from one site to another with simplified process), from Duty suspension (not paying on raw materials until they are used) and from Duty exemption.	Opport'y	Eager	Exploit	13/06/2022 Exploring the possibility of utilising the custom zones with the new investors on tax sites for example SeAH. 09/05/2022 Launched Centre for Digital Trade for Innovation which takes frictionless trade forward. (08.04.2022) As a consequence of that a number of trials are in conceptual design. 14/03/2022 Meeting the University to look at a conceptional roll out for Centre for Frictionless Trade. 18/02/2022 No further updates at present. 1. Focus on sector specific potential.

Risk Summary	Risk Consequences	Threat / Opport'y	Risk Approach	Risk Response	Treatment Action Plan
					2. Centre for frictionless trade, moving things around without restriction (AEOS standards).
Infrastructure to support Freeport	As a result of TVCA being unable to fund and deliver the planned infrastructure in a timely manner, there is a threat that Teesside Freeport is unable to accelerate the delivery and maximise the benefits from Freeport status; resulting in lost confidence from funders and investors on the site and missed opportunities to secure inward investment.	Threat	Cautious	Treat	1. Regular communication and updates to investors. 2. Regular independent review and auditing of TVCA infrastructure projects. 3. Full engagement with Port community system suppliers(MCP and CNS). The direct infrastructure is land remediation and quay side build all of which are happening on or ahead of schedule. These are monitored through regular interaction with key stakeholders.
Freeport funding	As a result of TVCA being unable to attract enough interest and funding to finance the freeport implementation, there is a threat that there may be delays or termination of Freeport plans.	Threat	Cautious	Treat	13/06/2022 Continuing to see demand and working with the land owners to deliver onsite. 09/05/2022 Identified a requirement to deliver thought leadership, on the benefits of of customs facilitations and simplification of declaration. This will lead to publishing several papers with our stakeholders extoling the virtues of freeport. 10/01/2022 TVCA have been successful in delivering first operational Freeport. As a consequence, the Freeport will not terminate. Over the course of the next year, significant inward investment and marketing activity will be conducted to build a successful brand and drive investment into the Freeport. 1. Early and regular engagement with Treasury and other potential investors. 2. DIT committed support to securing investors. 3. OBC and FBC submissions.
Supporting funding	As a result of seed funding not being received, we could not financially facilitate the freeport	Threat	Cautious	Treat	13/06/2022 The mechanism to access seed funding is delivery of the FBC and signing of a

Risk Summary	Risk Consequences	Threat / Opport'y	Risk Approach	Risk Response	Treatment Action Plan
	programme in the required timescales				MOU. Currently whilst HMG are delaying the process all submissions by the freeport have been on time and to specification. Risk reducing as submitted, remainder of funds in development. Mitigated to manageable levels, impact to Freeport in the short term is low, threat is relating to Long Term developments with an impact on years 5-10. Risk acceptable tolerance until this point. Only as Freeport develops - putting pressure on networks due to number of jobs created. Tees Crossing dependency.

259. Sensitivity analysis has been undertaken to stress-test the financial forecasts of the Teesside Freeport and identify risks that may challenge the goal of achieving self-funding by 2025.

260. In the scenarios in Annex Ia we assessed the impact of a delay in the ability to generate revenue by 12 and 24 months. Delays could be caused by unforeseen challenges in the land remediation and site preparation phase. While a delay by 12-24 months would impact income generation from business rates for the first three financial years, the model projects that revenue will still be generated by the financial year 2025 and result in the Freeport meeting the targets set by Government to become self-sustainable by 2025.

261. Overall, given our financial modelling and sensitivity analysis we propose that with the £25m capital Seed Funding, the Freeport would be able to achieve the goal of becoming a self-funded operation by 2025, and begin generating revenue through business rate retention by 2024.

4. Commercial Case

Key Messages:

- There are three tax sites in the Teesside Freeport, namely Teesworks East, Teesworks West and Wilton International, comprising 200, 200 and c191 hectares respectively.
- The tax sites have been selected because the land is underdeveloped, will be available for development within the Freeport benefits period and offers the best opportunity for regeneration to maximise the outcomes from Freeport Status.
- The Teesworks sites are predominately owned by South Tees Development Corporation (STDC) and are being remediated to be brought back into economic use after the closure of the Steelworks.
- The Wilton International sites are primarily owned by Sembcorp and have been cleared and the majority are 'plug and play' ready with infrastructure and services in place.
- TVCA is the accountable body for the Government funding, however the procurement and delivery responsibility will be passed to STDC, closely monitored by TVCA. Strong governance and contract managements are in place.
- The inward investment strategy (Annex K) is focussed on attracting businesses that will contribute to the three target sectors and their supply chains. These have been identified as Tees Valley's strengths, building on existing clusters, and presenting the greatest opportunities for levelling up Tees Valley. These are: Clean Energy, including Offshore Wind, Chemicals and Materials Processing, and Bio Sciences (Advanced Manufacturing).
- All sites provide additionality to the area when investment is attracted, as to qualify for the tax incentives, businesses that seek to locate, must be new expansion and not re-locating within the Tees Valley area.
- STDC, ports and airports have planning permissions in hand.
- The Teesside Freeport Tax Site Management Policy ensures the desired use of tax sites is achieved
- In addition to the BRR, the NIC Freeport lever has been designed to prevent displacement as it is only applicable to new employment preventing the wholesale relocation of a workforce.
- There are 14 customs sites across all Local Authority (LA) areas of the Tees Valley. The customs sites are distributed, with all LAs housing at least one site.
- Site ownership ranges across private and public sector all owners are represented on the Freeport Board and the sites are predominantly existing ports and/or manufacturing facilities complementary to and supporting of target sector clusters.
- The Primary Customs Zone (PCZ) is located on the Teesworks West site. Since the OBC submission the PCZ received its designation order as a Free Zone.
- This site is known in legislation as Customs Site No 1 Teesside and is operated by Casper Shipping Ltd with their operator status confirmed by HMRC, authorisation number CSO/0001/001/21 effective from 19th November 2021.
- Casper's, in consultation with Maritime Cargo Processing plc (MCP), an approved HMRC software provider, will deliver the Teesside Freeport PCZ Port Community System (PCS). This provides a secure, fully AEO compliant system, and will enable all sections of the maritime industry to facilitate the movement of goods through the Teesside Freeport PCZ. The chosen customs software is Destin8.
- Each potential customs site owner has different operating considerations for their sites which determine the investment decisions and actions they will take to achieve designation. These are set out for each site around two areas 'Access and Egress' and 'Commercial Imperative'.
- Teesside Freeport acts to coordinate the collective efforts of a number invested stakeholders to ensure a consistent customer journey to deliver successful inward investment and export trade growth; and a Teesside Freeport brand has been developed with stakeholders.
- Subsidy control has been reviewed and a full legal opinion has been provided in section 4h.
- Overall, the delivery risk of achieving Freeport benefits is shared between the public and private sector.

262. This section of the Business Case examines the commercial implications, actions and responsibilities associated with the delivery of the Teesside Freeport, with specific detail on the use of the £25m Seed Funding.

263. There are two key components that reflect the nature of the commercial case:

- To manage the required procurement activity to deliver the Government funded works/services required to accelerate the delivery of the Teesside Freeport; and
- To manage the commercial aspects of inward investment activity to develop and realise its long-term benefits.

4a – Tax Site Delivery and Management

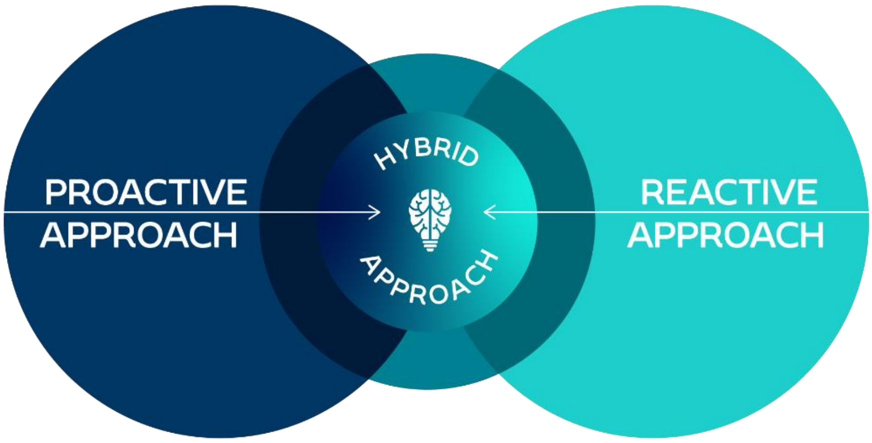
264. There are three tax sites in the Teesside Freeport, namely Teesworks East, Teesworks West and Wilton International, comprising 200, 200 and c191 hectares respectively. All tax land falls under the jurisdiction of Redcar and Cleveland Borough Council (RCBC), which ensures alignment with the Local Area Plan (adopted – 2018), The South Tees Area Supplementary Planning Document (SPD) and feeds into the TVCA Investment Plan 2019 – 2029.
265. The tax sites have been selected because the land is underdeveloped, will be available for development within the Freeport benefits period and offers the best opportunity for regeneration to maximise the outcomes from Freeport Status. The Teesworks sites are being remediated to be brought back into economic use, the Wilton International sites have been cleared and are predominately 'plug and play' ready with infrastructure and services in place.
266. All sites provide additionality to the area when investment is attracted, as to qualify for the tax incentives, businesses that seek to locate, must be new expansion and not re-locating within the Tees Valley area.
267. Our stakeholders' visions for their sites fit in with the Freeport target sectors. They offer detailed insight into their development plans at:
    - Masterplan - Teesworks: The UK's Largest Freeport
    - Wilton International - development land, energy & utilities for large scale industry
268. The inward investment strategy (Annex K) is focussed on attracting businesses that will contribute to the three target sectors and their supply chains. These have been identified as Tees Valley's strengths, building on existing clusters, and presenting the greatest opportunities for levelling up Tees Valley. These are:
    - Clean Energy, including Offshore Wind,
    - Chemicals and Materials Processing, and
    - Bio Sciences (Advanced Manufacturing).
269. All the freeport tax sites are within the RCBC administrative boundary. Details of the planning status for the sites is provided in section 1di5.
270. Wilton International is managed by Sembcorp on behalf of several landowners. The site's undeveloped areas of land benefit from an historic Instrument of Consent status granted 1946. Land requiring redevelopment is not covered by the IoC and will require Planning Consent. Across all sites Planning Performance Agreements (PPA) processes are required, to ensure compliance with all other non-planning legislation and regulatory permissions. Sembcorp market the available sites on behalf of the landowners. Details of the ownerships, available plots and delivery plans to attract investment are provided in Annex V.
271. The land at Teesworks East and West is predominately owned by STDC, a subsidiary of TVCA Group. As mentioned in Section 1di5, RCBC has an adopted local plan, and the South Tees land has a Supplementary Planning Document which allocates land for specialist employment uses such as heavy processing and port logistics development.
272. Teesworks West will benefit from an allocation of the Seed Funding in this business case. This lever will be used to accelerate the remediation of the site in readiness for its development for the Teesworks Offshore Manufacturing Centre (TOMC).
273. The following diagram illustrates the flow and responsibility for the Seed Funding. TVCA is accountable body for the Government funding, however the procurement and delivery responsibility will be passed to STDC, closely monitored by TVCA.

Reporting

274. The Freeport Governing Body receives a delivery plan which provides a progress update on the delivery of the sites. This is a standing item on the Board's meeting agenda. The Freeport Director will provide an overview of the programme, bringing together activities at the Teesworks and Wilton tax sites. It will include near term milestones, and a high-level update on the investment pipeline, but will not include individual investment information or budgets where this is commercially sensitive.

275. On completion of the seed funded remediation activities, TOMC on Teesworks West will be developed. Once operational, this site will generate business rates, 50% of which is retained by the council, 50% by STDC. The use of business rates generated from the tax sites is described in section 1di3 and the financial case.

276. To manage and control the development of Tax land in accordance with the objectives of the Freeport, the Freeport will use a hybrid approach of proactive marketing and reactive controls.



277. This allows and encourages the landowners to proactively market their land with limited bureaucracy and red tape using the Teesside Freeport brand. ~~-~~The Teesside Freeport Tax Site Management Policy provides a control mechanism to ensure the Freeport objectives are achieved. It is provided in full at Annex U and sets out the eligibility criteria, decision-making and governance processes employed.

278. As discussed in the inward investment strategy (Annex K), the proactive marketing will be aligned with the strategic objectives of:
    - Regenerating and Levelling Up
    - Establishing National Hubs for Global Trade and Investment
    - Creating Hotbeds of Innovation

279. The Tax Site Management Policy ensures the desired use of the tax sites is achieved. Inward investment activity is focussed on eligible sectors, businesses from policy compliant sectors are automatically approved. Those not eligible will not benefit from business rates relief. The controls offered by the Business Rates Relief (BRR) Mechanism are supported by the Freeport Board who set the criteria; however, BRR is managed and governed by RCBC, who will only approve the use of the relief for a specific business if it meets the pre-determined criteria. The criteria include a requirement for new additional business to be attracted, rather than moved from elsewhere, thus preventing market displacement. The eligibility criteria encourage the attraction of the businesses that will add to the growing cluster of key industrial strengths of the Teesside Freeport whilst mitigating the risk of deadweight. Annex U sets out the Tax Site Management Policy.

280. In addition to the BRR, the NIC Freeport lever has been designed to prevent displacement as it is only applicable to new employment preventing the wholesale relocation of a workforce.

4b. Customs Site Delivery and Management

281. There are 14 customs sites across all LA areas of the Tees Valley. The Primary Customs Zone PCZ is located on the Teesworks West site.

282. Since the OBC submission the PCZ received its designation order as a Free Zone.

283. This site is known in legislation as Customs Site No 1 Teesside, and is the 1.2-hectare site on Teesworks, owned by the STDC. The site is operated by Casper Shipping Ltd (CSL) with their operator status confirmed by HMRC, authorisation number CSO/0001/001/21 effective from 19th November 2021. CSL have been procured by STDC to support the delivery of the customs site and provide consultative support.

284. The operator status means that CSL met the condition for Customs Site no 1 to be an additional site for their Authorised Economic Operator (AEO) authorisation. AEO is a globally recognised accreditation. CSL have AEO (F) status which means they have AEO (C) and AEO (S). AEO (C) means they are trusted operators, meeting criteria of customs compliance, appropriate record keeping standards and financial solvency. AEO (S) means they maintain appropriate security and safety standards. CSL are responsible for maintaining the standards required by HMRC and upholding their AEO standard.

285. CSL, in consultation with Maritime Cargo Processing plc (MCP), an approved HMRC software provider, will deliver the Teesside Freeport PCZ Port Community System (PCS). This provides a secure, fully AEO compliant system, and will enable all sections of the maritime industry to facilitate the movement of goods through the Teesside Freeport PCZ. The chosen customs software is Destin8. Destin8 facilitates the exchange of information, tailoring it to the community's requirements, making it simpler, faster, and more secure. Fully implemented in 29 major UK ports it is well known, widely used, and is approved by HMRC.

286. The following table sets out the 14 customs sites, their target markets and timescale for designation.

287. Section 1di4 sets out in full the rationale for designation timescales. Briefly, the two conditions to satisfy to successfully roll out the secondary customs zones as listed in the two right hand columns in the table below. The first is identifying the commercial imperative, which will justify the investment in the customs capability and accreditation. The second, is resolving the practicalities for access and egress to customs sites. For these reasons, timescales for delivery of each site are not set in this business case. Each potential customs site owner has different operating considerations for their sites which determine the investment decisions and actions they will take to achieve designation.

288. To progress the designation of these sites, the consultative expertise of CSL can be used by the coalition members as appropriate, and within the terms of the procured service. The existing service is reviewed annually and will be extended or re-tendered subject to need.

Customs Site (Owner/Operator) & Target Markets	Timescales for Designation	Rationale if project plans not yet defined & brought forward for designation		Planning Authority & Planning Status
PRIMARY CUSTOMS ZONE Teesworks West (STDC/Casper's) • Construction • Offshore wind	Designated	Access and egress issue	Commercial Imperative to be calculated	RCBC Outline planning permission for over 14m sq. ft of B1 B2 and B8 uses held for land in Teesworks

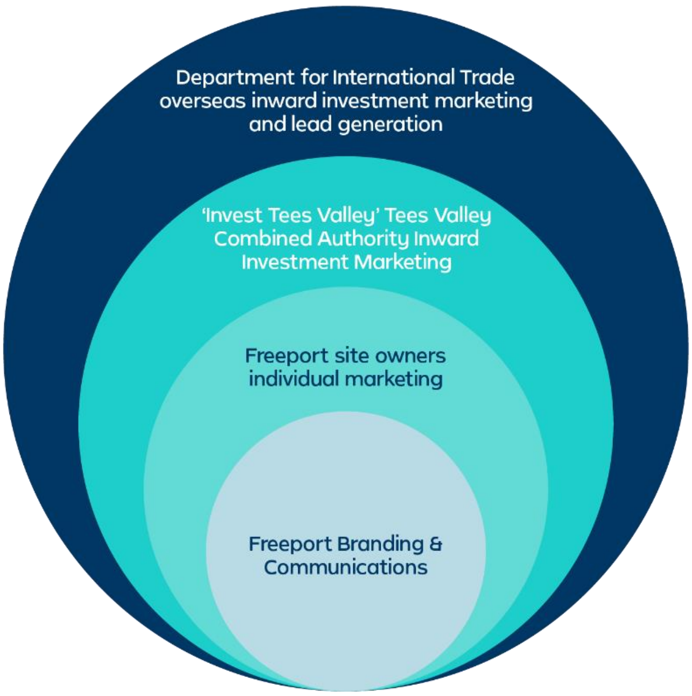
Customs Site (Owner/Operator) & Target Markets	Timescales for Designation	Rationale if project plans not yet defined & brought forward for designation		Planning Authority & Planning Status
2M Group (2M) • Chemicals	Not currently being brought forwards for designation	✓	✓	Middlesbrough BC Existing manufacturing facilities
Able Seaton Port (Able) • Oil & Gas • Offshore Wind • Marine Decommissioning	Not currently being brought forwards for designation		✓	Hartlepool BC Existing Port Facility
Haverton Hill Shipyard (now part of Wilton Universal) • Offshore Wind • Hydrogen • Tidal & other green energy	Not currently being brought forwards for designation		✓	Middlesbrough BC Existing Port Facility
Liberty Steel Hartlepool (Liberty Steel) • Carbon Steel Pipe Manufacture	Not currently being brought forwards for designation	✓	✓	Hartlepool BC Existing manufacturing facilities
LV Shipping (LV Shipping) • Logistics for: • Automotive • Construction & Mining • Energy • Maritime • Oil & gas • Petrochemical • Retail & consumer Goods • Steel • Utilities	Not currently being brought forwards for designation		✓	Middlesbrough BC Existing logistics facility
Port of Hartlepool (PD Ports) • Renewable energy: Offshore Wind • Oil & gas	Not currently being brought forwards for designation		✓	Hartlepool BC Statutory Harbour Authority is granted permission for port related activities HRO for Northern Gateway Terminal
Port of Middlesbrough (AV Dawson) • Freight logistics: • Energy & renewables • Construction • Agriculture • Automotive • Waste	Not currently being brought forwards for designation	✓	✓	Middlesbrough BC General Development Considerations in the Local Plan (Regeneration DPD) for B1, B2 & B8 uses
PD Teesport (PD Ports) • Container Shipping • Dry bulk • Agribulk • Forest Products • Metals • Project Cargoes	Not currently being brought forwards for designation	✓	✓	RCBC Statutory Harbour Authority is granted permission for port related activities
Teesside Int Airport Northside 1 (TIA Ltd/Casper's) • Aviation Maintenance, Repair and Overhaul sector • Aircraft maintenance and refurbishment • Aircraft disassembly • Aircraft component testing and servicing • Aircraft re-branding	In progress: 28-month plan from submission of planning application	N/A	✓	Darlington BC General Permitted Development Order for airport operator

Customs Site (Owner/Operator) & Target Markets	Timescales for Designation	Rationale if project plans not yet defined & brought forward for designation		Planning Authority & Planning Status
• Aircraft conversions • Airline supply sector				
Teesside International Airport Northside 2 (TIA Ltd/ Casper's)	Not currently being brought forwards for designation	N/A	✓	Darlington BC General Permitted Development Order for airport operator
Teesside International Airport Southside (TIA Ltd/ Casper's)	Not currently being brought forwards for designation	✓	✓	Stockton BC General Permitted Development Order for airport operator
Teesworks East Sub Zone (STDC/ Casper's)	Not currently being brought forwards for designation	✓	✓	RCBC Outline planning permission for over 14m sq. ft of B1 B2 and B8 uses held for land in Teesworks
Wilton Universal (Wilton Universal) • Renewable energy • Defense • Logistics	Not currently being brought forwards for designation	✓	✓	Middlesbrough BC Existing Port facility

4c. Commercial and Marketing Plans

289. The commercial and marketing plans for attracting end users to the Freeport are included in the Trade & Investment Strategy in Annex K. Attracting end users is critical to achieving the objectives and will generate income to support the sustainable operation of the Freeport.

290. Teesside Freeport brings together a number of landowners, facility operators and manufacturers under a collective banner, the coalition forming a business association with a specific focus on:
- Offshore Wind and Clean Energy;
- Chemicals and Materials Processing; and
- BioLife Sciences.



291. As a business association, Teesside Freeport works on behalf of its members to drive business development opportunities into the region which will lead to inward investment, growth in the existing supply chain clusters and export trade growth. Teesside Freeport acts to coordinate the collective efforts of a number invested stakeholders to ensure a consistent customer journey to deliver successful inward investment and export trade growth.

Market Engagement

292. Following identification of Offshore Wind and Clean Energy, Chemicals and Materials Processing and BioLife Sciences as target sectors, Teesside Freeport have considered how to engage with the market and stakeholders to ensure that a consistent message is delivered to create a magnetic pull to the region.

293. A Teesside Freeport marketing plan has been developed through the Freeport Board and working groups supported by TVCA. It has considered the following three key elements to create awareness and interest within the markets:

Education

294. Knowledge of Freeports we have found to be limited and polarised in general owing to a number of factors including:

- Historic references to freeports in less developed nations and lack of control;
- Limited media coverage of the English system of Freeports and the incentive mechanisms; and
- Delay between the announcement of Freeports and the policy that has enabled designation.

295. Consequently, there is a requirement to educate the market as to the structure of Freeports, providing clarity of benefits and detail of operation, removing some of the negative perceptions and demonstrating how they can be a force for good.

Branding

296. The success of most businesses is dependent on a strong brand, which can be recognised, drive loyalty and be relied upon. The Teesside Freeport has its own independent brand and website with which to promote the opportunities of the Freeport and the wider Tees Valley. TVCA has worked with key stakeholders and partners in the development of this brand.

Teesside Freeport
Global trade. Global scale.

297. The new brand *pictured,* and website were launched when the Freeport status was designated. The monogram is formed of three abstracted shapes, representing Sea, Land & Air. Each element has a sense of movement and dynamism; they converge and combine to form a unique letterform, representing the T and F of the Teesside Freeport. The aqua colour has been selected to complement stakeholder brands, acting as an umbrella, and allowing the logo to work alongside our partners' brands.

Alignment with Stakeholders

298. Teesside Freeport is actively working with Stakeholders to create an environment of investment, growth and export success and to achieve this position will require the leveraging of all stakeholders.

Temptation	HMG, DiT, Freeport	Thought Leadership, Brand Awareness, HMG Engagement - HPO programmes & FREN
Engagement	Freeport, DiT, Trade Associations	Events, exhibitions and trade shows, Trade missions, Hosted Visits and Engagements, Supplier Events, Enquiry Handling Process
Evaluation	Landowners, Freeport Operators, Manufacturers, TVCA, Freeport, DiT	ITT and Tendering, Site Inspections, Planning, Client engagement
Success	Landowners, Freeport Operators, Manufacturers, TVCA, Freeport, DiT	Contracting, Soft Landing, Delivering Skills, Signposting Jobs, Supply Chain facilitations

299. The Freeport will utilise the **TEES** process outlined in the table above which captures the essence of the customer journey and the primary stakeholder interactions on this route.

300. The Department for International Trade (DiT) will promote Freeports and the specific attributes to target market opportunities overseas. Teesside Freeport and the investment team has worked with DIT on four High Potential Opportunity (HPO) propositions.

301. These propositions are detailed with specific investment proposals focussed on Tees Valley for use to DIT overseas posts to generate inward investment enquiries. Teesside Freeport landholders have directly contributed to the development of these HPO propositions in:

- Carbon Fibre production

- Heat Networks
- Biomanufacturing
- Offshore Wind Ports Hub (covering Teesside & Humber Freeport)

302. Limited lead generation activities have been undertaken by DIT in respect of these HPOs to date, as they have only recently completed but early indicators are that there is a significant opportunity to use this collateral to generate overseas interest for the freeport, 'in-market', by DIT's overseas posts. The HPO activity provides an essential channel to reach targeted companies in overseas markets using the governments oversees embassy network to make initial contact.

303. Teesside Freeport continue to work with DIT's UK sector teams and the DIT Northern Powerhouse team to promote the freeport opportunities through a combination of DIT Webinars, Overseas Post Familiarisation visits and participating in inward missions by overseas companies.

304. Enquiries generated through this approach will be responded to by the Combined Authorities inward investment team and supported by DIT through the office for investment.

4d. Procurement Strategy

305. Essential considerations in achieving the best commercial outcome through procurement are:

- value for money;
- enabling project delivery within the timeframe of available funding; and
- in line with investor needs.

306. These considerations will be tested throughout the procurement life cycle including via active contract management against deliverables.

307. Relating to the Teesworks sites, STDC has procured frameworks and contracts in place which include the following demolition remediation and development works programmes. These total over £60m.

STDC-PROC-0101	Prairie Site Development Works Phase 1
STDC-PROC-0125	Demolition of Heavy Fuel Oil Tank Farm
STDC-PROC-0127	Demolition - Advanced Programme
STDC-PROC-0128	Demolition Framework - Teessworks Site
STDC-PROC-0188	Demolition - Reference Projects
STDC-PROC-0189	Demolition - Reference Projects
STDC-PROC-0139	Demolition Consultants
STDC-PROC-0235	Remediations
STDC-PROC-0236	Remediations
STDC-PROC-0237	Remediations

308. The Seed Funding allocated by this business case follows the route as illustrated in Section 4a. The funds will be devolved to TVCA as accountable body to fund STDC as delivery body. STDC use their experienced procurement team to procure the supplier and contract manage the works. Across the TVCA group, the procurement function has adopted the principles and approach set out in the Governments Outsourcing Playbook to ensure a comprehensive and holistic approach to whole life commercial activity.

309. Contracts, as above, are already let for remediation works, the Seed Funding will be used to expand on this work. As a part of a larger programme of proposed works, this allows for economies of scale and efficiencies in delivery not available under smaller contacts.

310. The 5G investment is at an early stage of development, so has not yet developed to procurement stage. The procurement will follow the adopted procurement processes, and TVCA as accountable body will ensure that the cost proposal is developed in line with examples of industry best practice such as The Green Book, IPA Cost Estimating Guidance and The Construction Playbook.

311. When the 5G project is ready to be delivered, we will follow the established assurance process, and a project business case will be developed and signed off by TVCA. Within this process, TVCA will confirm that the business case has been developed in line with the best practice outlined above.

312. Revenue funded procurements include the customs consultants Casper's. Casper's were formally procured to provide services to accredit and operate the primary customs site on Teesworks. They also provide guidance for coalition partners to support their delivery of secondary customs sites.

4e. Risk Transfer

313. TVCA has a Group Risk Management team, and a formal Risk Management Policy, Framework and Risk Appetite Statement which sets out how risk is managed across the Group during the key phases of the wide range of projects carried out. A comprehensive risk register for Freeport, setting out the probability and impact of risks, responsible parties, and mitigating actions, is supplied at Annex Db

314. In selecting the optimum commercial route for the programme of works, it is critically important to manage risk and risk transfer between the parties by identifying who is best placed to manage programme specific, delivery and market risks.

315. The delivery risks of Seed Funded infrastructure work can be managed via the procurement process within the control of STDC. All contracts that are used for procurement will be drafted in advance as part of the tender packs (in accordance with agreed framework contracts where those are used), including any special conditions required. Risks will be analysed and allocated as part of a contract matrix, to ensure that risks such as (but not limited to) time and cost overruns, unforeseen variations, material shortages, force majeure, persistent and major breach, and insolvency are all allocated and set out effectively. The contracts will also build in STDC side flexibility where that would be helpful, for instance the ability to vary the contract at STDC's option if needs change during the contract period. These contractual risk allocations and flexibilities will continue to be tested throughout the stages of the specific procurement and will be embedded in the final form of contract that is signed in each case and monitored accordingly throughout delivery.

316. It is expected that the headline risks of publicly funded activity will be allocated as outlined in the table below.

Risk Category	Proposed allocation		
	Public	Private	Shared
Site remediation, infrastructure works, & land purchase			
Planning risk			
Construction risk			
Operating risk			
Financing risks			
Legislative risks			
Other project risks			

317. Wider freeport risks such as finding the commercial imperative, sourcing any required funding, and meeting the requirements of HMRC to deliver operational customs sites are owned by each landowner or port operator. The Freeport will provide support and shared expertise for the coalition members to support delivery of customs sites, however, the operators retain the responsibility, and therefore risk, of delivery.

318. The risk of generating sufficient inward investment is shared between private and public sector, as the Freeport coalition work individually and as a collective with DiT and Invest Tees Valley to attract business to the area.

319. **Overall, the delivery risk of achieving Freeport benefits is shared between the public and private sector.**

4f. Contract Management

320. The performance management arrangements for the delivery of all the necessary contracts to deliver the Programme are covered through the following plans for managing contracts.

321. Procurement process performance dashboard including (not exhaustive): -

- By procurement stage maturity and project (e.g., procurement documents prepared, out to tender, award stage, overdue activity, etc);
- Procurement spends by project;
- By procurement mechanism (Open tender, Restricted Tender, Framework –including variations of frameworks, contract extensions, direct awards, etc);
- Procurement maturity vs Programme Plan flags –highlighting where timescales in the procurement pipeline are conflicting with intended programme delivery requirement sin the programme plan; and
- Procurement activity and delivery resource capacity.

322. Performance reviews take place as part of fortnightly meetings at the STDC Delivery Board in addition to senior management team meetings. The STDC Delivery Board is a collaboration of STDC senior management and their joint venture partners focusing on: -

- Commercial inward investment opportunities;
- Programme delivery (including focus on critical path items);
- Procurement delivery;
- Capacity and Capability position; and
- Financial performance vs budget.

323. The contract management activity with suppliers will utilise the Procurement dashboard information set out above and the dashboard will include deliverable performance information by Quarter to track progress vs target delivery dates.

324. Regular contract management meetings will take place either directly with STDC teams if the inhouse resource are managing the contracts or via third parties representing STDC as clients required. Irrespective of the method all performance will be tracked through the dashboard.

325. Programme and Project Management impact (see Management Case)

4g. Public Sector Borrowing (if applicable)

326. Use of future retained business rate income has been outlined above in sections 1di3 and 3a. The income is already allocated under pre-existing terms of the Development Corporation. The additional funds to be received by RCBC are to be spent as their decision-making arrangements determine, as outlined in their letter at Annex F.

4h. Subsidy Control

327. Capital Seed Funding of £25m and revenue funding of £1m over three years is to be granted to TVCA to contribute to the significant costs of land remediation, and part fund the operational costs to bring Freeport to fruition. The funding will be spent on publicly owned land.

328. The subsidy control assessment has been carried out by independent legal advisors Ward Hadaway, and Hugh Mercer QC. Their considerations are summarised:

The funding sought is to remediate the land designated as the Teesworks site. The funding will be used by TVCA's subsidiary South Tees Development Corporation (STDC). STDC's receipt of the funding will not constitute Subsidy since:

1. Its use of the funding is consistent with the pursuit of public policy objectives and is therefore not an economic activity within the meaning of subsidy control law; and
2. even were the above conclusion not the case, the transfer of funding to a wholly owned subsidiary in order to fund that subsidiary's activities is clearly consistent with the market economy operator principle (MEOP) as established under EU law. Therefore, it could be reasonably concluded that the transfer of funding from TVCA to STDC would not constitute subsidy.

The funding could conceivably benefit Teesworks Limited (TL), a company which is part owned (10%) by STDC, with the remainder ultimately owned by private individuals. TL has options to purchase (for £1) the land to be remediated using the funding sought, such options can be exercised at any time including following the remediation works. STDC sought advice from Hugh Mercer QC on potential State aid/subsidy present in creation of the options. This advice concluded that the creation of the options could be considered to be consistent with the MEOP. This advice was on the basis that the options could be exercised after anticipated remedial works funded by STDC; the works for which funding is sought were included in these anticipated remedial works. On this basis there would be no subsidy present in relation to TL.

It cannot be anticipated that this funding would benefit any other third party since:

1. Any other purchaser or user of the remediated land will be required to pay market rates on market terms; and
2. Any contractor engaged using the funding will be engaged on market terms and will be paid market rates.

On the basis of the above there are no subsidy control issues raised by the receipt and use of the funding.

5. Management Case

Key Messages:

- The nature of the Teesside Freeport is a coalition of both private and public sector parties requiring collaboration and exchange of information to support effective delivery at pace. It is governed through the Freeport Board and TVCA established, and Government approved Assurance Framework, see Annex J.
- There remain no plans for incorporation, however, this will be kept under review to assess if there is a clear justification for this.
- There are two sets of funding to be managed: Seed Funding from Government and Retained Business Rates on tax sites.
- The Seed Funding requested in this business case will be invested on the Teesworks West Tax Site and will therefore be managed through the TVCA Assurance Framework as part of the overall Investment Plan (c.£1bn).
- Due to the scale of regeneration opportunity on the Teesworks site it has previously been designated by Government as a Special Economic Area and has existing arrangements for retaining business rate income. The local process for investment of these rates has already been agreed with Government (through a specific Investment Fund), the objectives of this fund align with that of the Freeport.
- The Wilton International Tax Site: Existing arrangements allow Redcar & Cleveland Borough Council (RCBC) to retain 50% of rates on this site. The additional levers through the implementation of the Freeport policy increase this to 100%. The Retained Business Rates Investment Strategy at Annex W sets out how decisions are taken on the use of these funds. This will be by RCBC in conjunction with the Freeport Board.
- It is proposed that part of the revenue generated will be used to cover operating costs for the Freeport. The revenue model has been tested in the financial case assuming a delay in receipt of income by a year, or two years, and this indicates that the Freeport will still meet the target of being self-funding by 2025.
- The Freeport development, management, and governance fits within the existing TVCA Group management structure.
- Supporting expertise is drawn from the TVCA Group as appropriate throughout the project phases.
- Additional specialist advice and support is required in customs and security (procured), planning and monitoring Net Zero impact and support in development of our initial key sector offshore wind (drawn from Freeport Hub expertise) to develop a strong pipeline of investors and ensure the long-term sustainability of Teesside Freeport.
- Beyond its development, a small increase to the Freeport team is required to mobilise and move into delivery, recruitment is required for a Freeport Manager and two Business Development Managers. This will be undertaken by March 2022.
- The wider team, or coalition, required to deliver the Freeport is made up of people employed by the landowners, of the non TVCA Group owned sites which make up the secondary customs zones.
- Stakeholder management and clear communications are vital to the success of the Teesside Freeport and a plan has been drafted and is incorporated in Annex K.
- The Teesside Freeport has its own independent brand and website which was developed collaboratively with stakeholders.
- TVCA has a thorough Risk Management Policy, Framework and Risk Appetite Statement (available on request) which is consistent with the requirements of ISO31000. The Freeport Director meets the Group Risk Team regularly, currently monthly to review the risks and mitigation progress.

5a – Governance

329. The nature of the Teesside Freeport is a coalition of both private and public sector parties requiring collaboration and exchange of information to support effective delivery at pace. There are two main elements to the Teesside Freeport Governance:
    - The Tees Valley Combined Authority (TVCA) Assurance Framework for the Seed Funding and existing constitutional arrangements across relevant organisations for the Business Rate re-investment; and
    - The Freeport Governance arrangements that oversee and coordinate the Freeport activities.
330. These arrangements provide a high level of continuity and consistency in governance. This ensures that the business case has the full support of those with the statutory powers and responsibilities to ensure its delivery.

331. The Teesside Freeport harnesses the strengths of existing collaborative Governance structures across the Tees Valley. Our Freeport governance arrangements and TVCA Assurance Framework provides a robust, independently government reviewed framework that preserves TVCA's ability to be meaningfully accountable for public money. All the Teesside Freeport funding will flow through TVCA and this framework.

332. TVCA sits within an established legislative framework, including provisions for transparency, openness and public and political accountability and funding is managed in accordance with our HM Government approved Tees Valley Assurance Framework 2019-29. The TVCA Cabinet also includes the Local Enterprise Partnership (LEP) representatives ensuring a broad cross section of private sector stakeholders across different sectors within the Tees Valley. Our proposals meet the Government's three core standards on governance: effective structure, effective personnel, and effective functions.

333. TVCA has a strong track record of managing public funds through the TVCA Assurance Framework which meets the requirements of the National Guidance published by MHCLG and covers all departments including MHCLG, BEIS and DfT. The Framework is reviewed regularly to ensure it is fit for purpose and is applied proportionately to all investments within the Investment Plan with a current value of over £1bn.

334. The aligned Teesside Freeport governance proposals were approved by Government in May 2021, which resulted in a shadow Board being formed. There have been no changes to the governance structure since OBC. The Tees Valley Mayor remains the Freeport Board Chair. However, since designation the Freeport Board is no longer a shadow board, it has activated to take on its Statutory Duty as Freeport Board within the TVCA Group structure. The TVCA constitution has been updated to reflect this enactment.

335. There remain no plans for incorporation, however, this will be kept under review to assess if there is a clear justification for this.

336. Specific workstreams covering Strategy and Accountability for Public Money (Lead: Gary Macdonald, Group Director of Finance & Resources), Assurance and Compliance (Lead: Nolan Gray, Freeport Director) and Inward Investment and Innovation (Lead: Currently Dr Chris Beck, TVCA Director of Business & Skills) foster a coalition of the relevant parties across the Freeport to complete specific requirements and are designed to encompass effective governance arrangements through all stages from Initial Freeport Development through to Growth. Additional Task and Finish groups will be set up as required as the Freeport moves into delivery, for example, marketing coordination. These will draw on the existing stakeholders and use additional expertise if required.

337. The table below sets out a summary of the Freeport Board membership. Annex J sets out the membership of both the board and supporting workstreams, the decision-making process, and delegated powers. The make-up of the board and workstreams includes the private sector to ensure their involvement throughout and ongoing stakeholder engagement provides further opportunity for private sector input.

Organisation/Representative	**Freeport Board**	**TVCA Cabinet**
Tees Valley Mayor	Chair	✓
Redcar & Cleveland Borough Council Leader	Lead for Strategy & Accountability Workstream	✓
STDC Board Representative	Public Body and Landowner	X
Local MP Representative	✓	✓
Sembcorp	Private Landowner, Wilton International	X
LEP Board Member, Innovation Representative	Lead for Inward Investment & Innovation Workstream	✓
Operator Representative of Customs Zones and Tax Sites	Lead for Customs Zone and Tax Site Workstream	X
Port of Middlesbrough - AV Dawson Limited, Port of Hartlepool - PD Ports Limited, Seaton Port - Able UK Limited, Redcar Bulk Terminal Limited and Port Clarence Wilton Engineering Services Ltd	Secondary Customs Zone Port Operators x 5	X

Organisation/Representative	Freeport Board	TVCA Cabinet
*Please note that the port at Teesside International Airport is a subsidiary of the TVCA Group.		

338. TVCA is the lead accountable body for the Freeport, however a number of organisations share responsibilities; this table is the schedule of delegations, showing which organisation is accountable for each aspect of Freeport.

Lead Organisations	TVCA	LAs	Freeport Operators	Teesworks (STDC)	Freeport Board
Accountability for Public Funds					
Delivery of Seed Funding					
Planning					
Innovation					
Trade & Investment Promotion					
Tax Site Delivery & Operation					
Customs Site Delivery & Operation					
Use of Retained Business Rates					
Skills Plan					
Regeneration					
Alignment with Wider Initiatives					
Stakeholder Engagement					
Security and Compliance					
Net Zero Policy					
Risk Management Oversight					
Monitoring & Evaluation					
Reporting					

339. There are two sets of funding to be managed:

- Seed Funding from Government; and
- Retained Business Rates on tax sites.

340. The Seed Funding requested in this business case will be invested on the Teesworks West Tax Site (as set out in the Financial Case). As set out in the above table, STDC is therefore the delivery body for this funding. It will be managed through the TVCA Assurance Framework as an addition to our Investment Plan. This includes regular reviews of STDC progress by TVCA including evidence of expenditure. No Seed Funding is required on Wilton International Tax Site; therefore no management arrangements are required for Seed Funding.

341. The Wilton International Tax Site: Existing arrangements allow Redcar & Cleveland Borough Council (RCBC) to retain 50% of rates on this site. The additional levers through the implementation of the Freeport policy increase this to 100%. As the additional income is generated as a result of Freeport Status, it is required to be invested to meet the following objectives:

- Promote Regeneration and Job Creation;
- National Hub for Global Trade and Investment;
- Create a Hotbed of Innovation

342. The decision-making mechanism is set out in Annex W and involves TVCA and RCBC continuing their established collaborative working to define proposals, and develop projects using HM Treasury Green Book best practice. The Freeport Board and RCBC Cabinet must both approve the projects before funds can be

invested. The local made investment decision, managed by the existing Local Authority procedures and constitution, mitigates any conflict from commercial interests on the Freeport Board, in selecting the best use of public funds.

5b – Team Structure

343. The Freeport development, management, and governance fits within the existing TVCA Group management structure.

344. The development and delivery of the project is led by a full time Freeport Director, Nolan Gray, who reports to the TVCA Group Chief Executive, Julie Gilhespie. Julie is Senior Responsible Officer for the Freeport. The Chief Financial Officer for Freeport is Gary Macdonald, who is the TVCA Group Director of Finance and Resources.

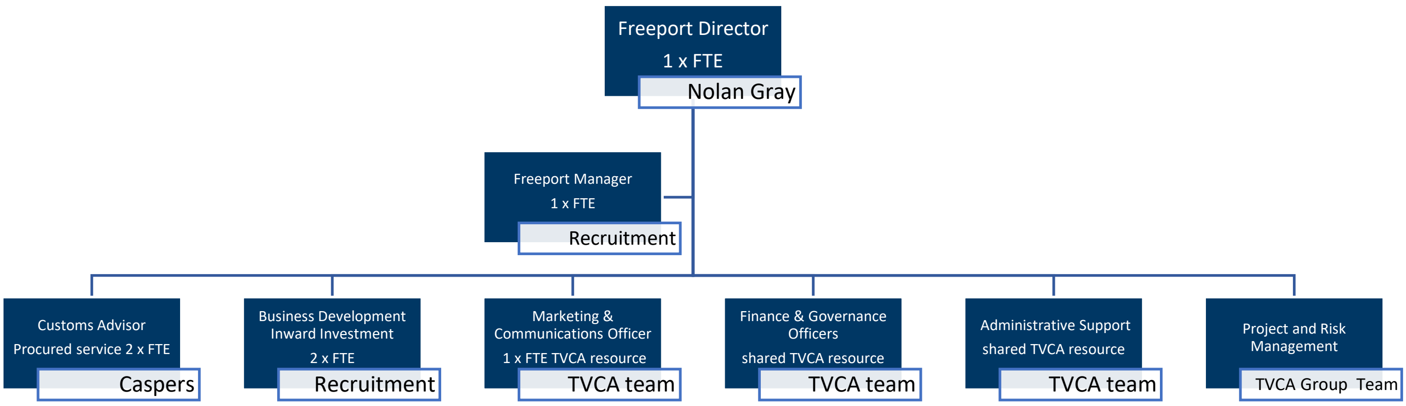
345. Supporting expertise is drawn from the TVCA Group as appropriate throughout the project phases. In the first year, during the development stage, more input from the Development & Delivery Team and the Economist is required to build the business case and plan delivery. In subsequent years, as the project moves into delivery, Project Management and Sector-Specific Business Development resources will increase.

346. The TVCA Group has experienced officers from a range of backgrounds who can provide expertise including business case development, risk, compliance, procurement, legal, finance marketing and administration as required throughout.

347. Additional specialist advice and support is required in customs and security (procured), planning and monitoring Net Zero impact and support in development of our initial key sector offshore wind (drawn from Freeport Hub expertise) to develop a strong pipeline of investors and ensure the long-term sustainability of Teesside Freeport. These additional resources have been considered in the resource delivery plan including the TVCA revenue contribution.

348. The Teesside Freeport team will move through delivery, development and growth cycles and modify its resources to ensure that the requirements of each stage are reflected in the skills and training of the team. The Teesside Freeport is deploying a matrix organisation to deliver each phase of maturity that enables the re-alignment of structure to reflect each phase with only a small number of core members supplemented by more than 100 subject matter experts within TVCA and external support of both stakeholders and professional consultants as required.

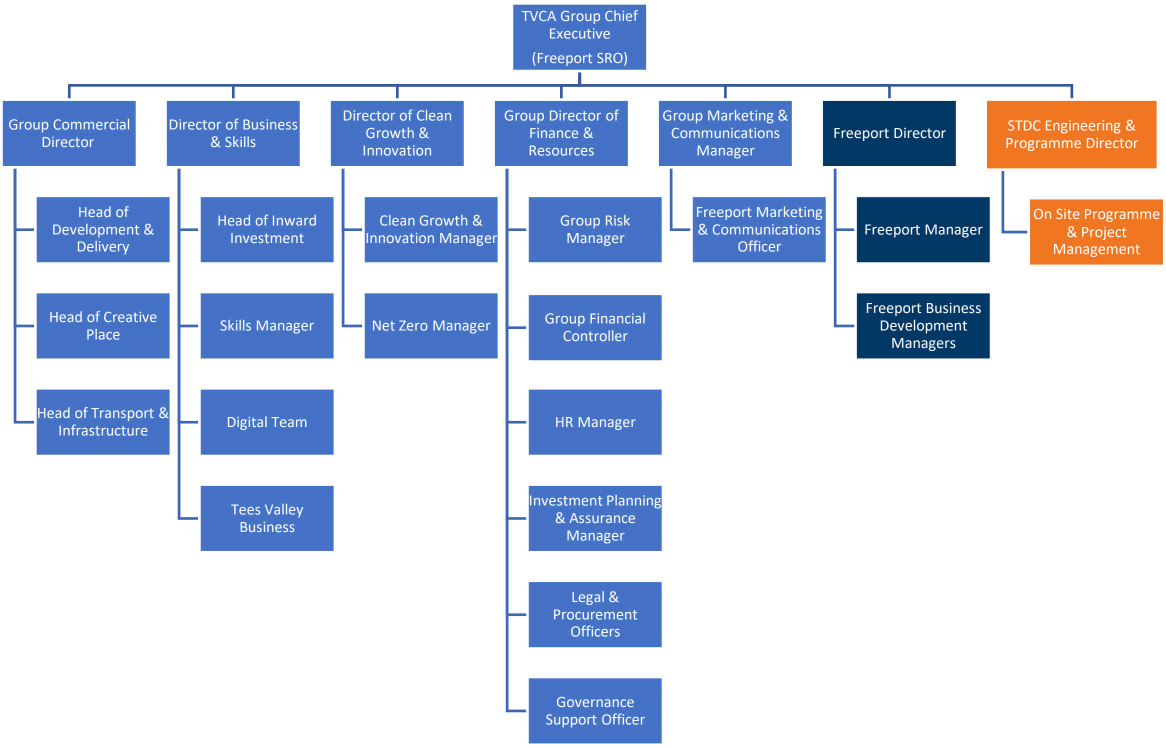
349. The hierarchy chart below shows the small team required to mobilise the Freeport, and where the team is resourced from. This links across to the revenue requirements, in section 3a of the financial case, under the Governance cost heading.



350. Within this Delivery Team Structure, recruitment is required for a Freeport Manager and 2 Business Development Managers. This will be undertaken by March 2022.

351. As Freeport is a part of TVCA, it has available to it, the supporting functions of the whole group. This hierarchy shows the range of support available to draw down from as required, and the benefits to Freeport from integration within the established TVCA functions.

352. Not all these roles are required consistently, therefore this matrix model allows flexibility to draw down shared group resources to meet business need. The costs of all these supporting roles are not directly listed in the revenue model. As the work grows, and more demand is placed on staff time, the costs allocated to cover staff time spent on Freeport will flex. The model below identifies the relevant shared resources that may apply.



353. In addition, STDC (Teesworks) is a part of the wider TVCA Group. Teesworks hosts the site of the Primary Customs Zone, Project Management expertise is drawn from here, with the resource allocation increasing to 50% of the role, when the project moves into delivery from Year Two onwards. Group Corporate Risk Management services are provided from the same team that undertakes Risk Management on the Teesworks site.

354. The wider team, or coalition, required to deliver the Freeport is made up of people employed by the landowners, of the non TVCA Group owned sites which make up the secondary customs zones.

355. The governance structures set out in Annex J provide the mechanism for working together to deliver the Freeport, each workstream provides communication channels and accountability.

5c – Stakeholder Management and Communications

356. Stakeholder management and clear communications are vital to the success of the Teesside Freeport and a plan has been drafted and is incorporated in the Trade & Investment Plan in Annex K. This articulates the benefits of Freeport Status to stakeholders, including the members of the coalition, and in future beneficiaries, to overcome any potential concerns and, through engagement, provide the opportunity for stakeholders to contribute.

357. Stakeholder support from freeport operators is re-confirmed in Annex H, and support from Tees Valley Local Authority leaders is at Annex T.

358. The Teesside Freeport has its own independent brand and **website** with which to promote the opportunities of the Freeport and the wider Tees Valley. TVCA has worked with key stakeholders and partners in the development of this brand via a task and finish workstream set up for this purpose.

359. The new brand *pictured above,* and website were launched when the Freeport status was designated. The monogram is formed of three abstracted shapes, representing Sea, Land & Air. Each element has a sense of movement and dynamism; they converge and combine to form a unique letterform, representing the T and F

of the Teesside Freeport. The aqua colour has been selected to complement stakeholder brands, acting as an umbrella, and allowing the logo to work alongside our partners' brands.

5d - Building Local Expertise

360. Revenue received through the retention of business rates will become the sustainable funding source to operate and grow the Teesside Freeport. The modelling for retained business rates has been explored in section 1di3, and 3a, and the detail is provided in Annex M.

361. It is proposed that the revenue generated will be used to cover operating costs, (listed in the financial model as resourcing and governance costs, procured services, marketing, security and risk). Currently these costs are borne by TVCA to supplement the initial set up revenue grant received from government. The make-up of these costs will vary over time, depending on the phase of the Freeport's lifecycle.

362. **The revenue model has been tested in the financial case assuming a delay in receipt of income by a year, or two years, and this indicates that the Freeport will still meet the target of being self-funding by 2025.** The calculations include further Government revenue grants of £350k pa for 2022/23 and 2023/24. Should the Government funding not be available, TVCA would incur the operational cost until sustainability is achieved. This would require funding to be moved from other complementary and supporting investments, requiring re-imbursement from future Freeport income. This could delay the realisation of benefits from both the Teesside Freeport and the wider TVCA Investment Plan.

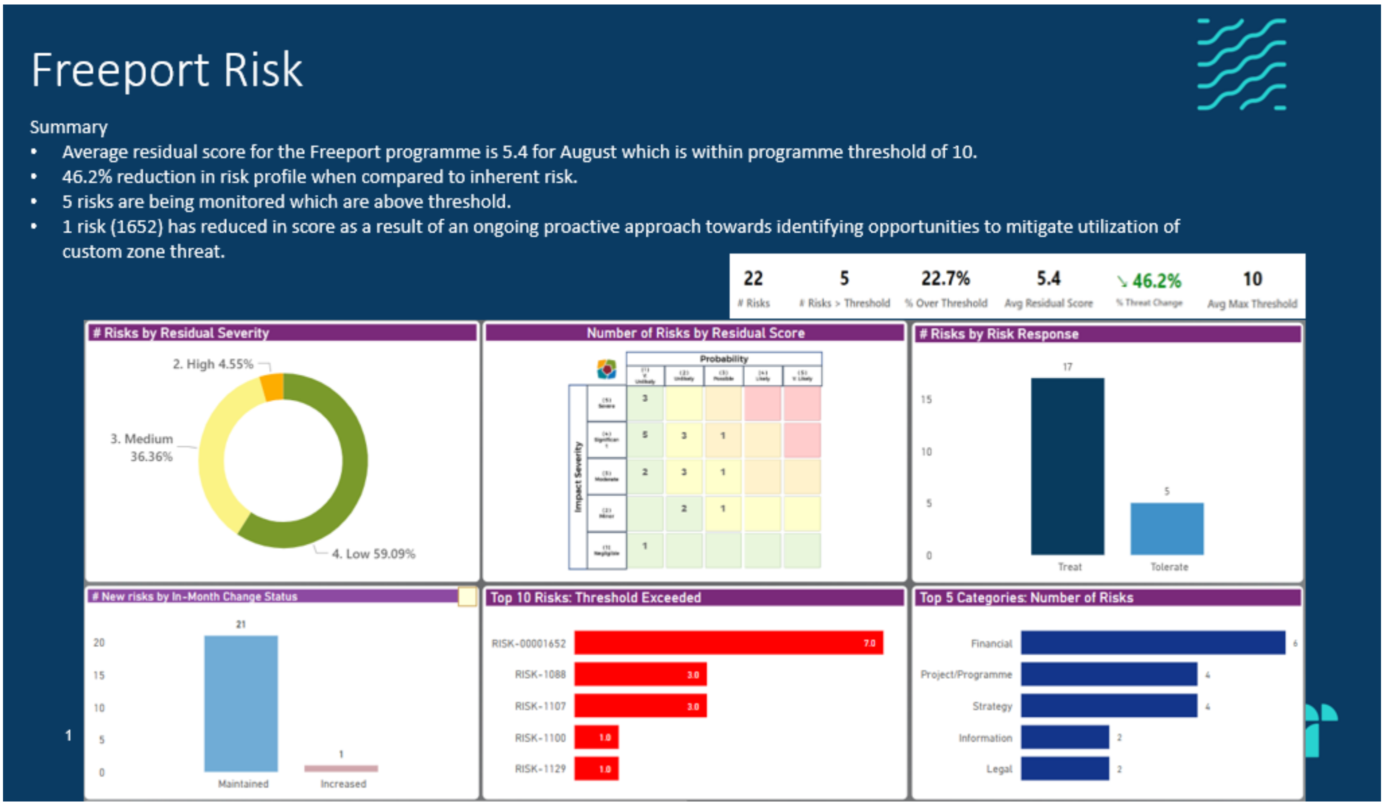
5e - Milestones

363. Annex C provides the full project plan, which has been worked through OBC and FBC phases. Since designation, the plan has supported the completion of FBC phase, and is now moving into realising the team and transforming into delivery phase.

Ref	Milestone Description	Start Date	Completion Date	Dependencies
M1	FBC submission	07/06/2021	31/01/2022	
M2	Mobilise Marketing Strategy & Communications Plan	04/01/2022	31/01/2022	
M3	Stakeholder Engagement Plan Refresh	04/01/2022	31/01/2022	
M4	Scope Delivery Plans to Mobilise Customs Zones	04/01/2022	31/01/2022	M3
M5	Confirm DIT Freeport office role in Inward Investment Plan	04/01/2022	31/01/2022	
M6	Submit EOI to Cabinet Office for System of Trust	04/01/2022	01/02/2022	
M7	Define roles, responsibilities and formalise TVCA Freeport team	04/01/2022	28/02/2022	
M8	Define roles, recruit to Inward Investment team	04/01/2022	31/3/2022	M5 M2
M9	Define role, evaluate, recruit Freeport Manager	04/01/2022	31/3/2022	
M10	Scope development of toolkit and case studies to mobilise customs site	04/01/2022	31/3/2022	
M11	Seed Capital Received	31/01/2022	31/3/2022	M1
M12	Complete site remediation & preparation	01/04/2020	31/03/2023	
M13	South Bank Quay Build Phase 1	30/09/2021	31/03/2023	
M14	Teesside Offshore Manufacturing Facility Build	01/04/2020	31/3/2023	M11 M12 M13
M15	First occupants to site commence production on Tax Site		31/06/2023	M11 M12 M13
M16	Finalise Freeport Monitoring & Evaluation Plan	31/01/22	31/03/22	Government Guidance

5f – Risk Management

364. TVCA has a thorough Risk Management Policy, Framework and Risk Appetite Statement (available on request) which is consistent with the requirements of ISO31000 and ensures the ongoing management of risk during the key phases of the project. A comprehensive risk register, setting out the probability and impact of risks, responsible parties, and mitigating actions, is supplied at Annex Db and summarised in the dashboard below. This is correct at August 2022.



365. Risks are prioritised and responded to according to threat level and appetite for risk type, according to the defined Risk Appetite Statement. Following a review of treatment action plans, there are currently eight classified as above the maximum threshold which are being regularly monitored for progress. These are dependent on treatment plans delivering to ensure that the programme is managed appropriately within risk appetite.

366. All risks have been assessed using the methodologies outlined in the Risk Management Framework, to ensure consistency and effectiveness. The treatment plans are considered appropriate and comprehensive, and they are rated at 'Excellent' or 'Good' in terms of their respective Control Rating. An example of where 'Good' has been selected over 'Excellent' is where there is third party influence over outcomes.

367. The Freeport Director has access to the risk system and is able to update daily from the operation of the Freeport and interactions with stakeholders. A monthly meeting is held with the Group Risk Team to review the updated risks, ensure mitigations are appropriate and progress is being made to resolve. Annex D provides an extract of information from July 2022.

5g – Security and Illicit Activity

368. Teesside Freeport manages risk in accordance with the TVCA Group Risk Management Framework to ensure the Teesside Freeport Governing Board has a comprehensive risk management approach, with risk identification, assessment, evaluation, mitigation, escalation, and reporting, based on the ISO 31000 and HM Orange book standards.

- The Freeport risk register incorporates all the risks associated with all stages of the Freeport Implementation Plan and includes Security and Illicit Threats.
- This risk register will be reviewed on a regular basis and will be considered by the Teesside Freeport Governance Board quarterly.
- At the project level, all projects are expected to outline in detail any identified risks during the business case development and due diligence processes.

369. The dashboard below provides an overview of the data in Annex B as at July 2022

370. Risks are managed by the party best placed to manage the risk and at the most appropriate level in the respective organisation(s). Risks can be escalated up the chain – either within or between the levels of hierarchy. Several risks exist and are inherent in the operation of Ports, Airports and Manufacturing facilities which will be managed by the respective business owners and the Freeport will look to understand these and to manage the additional risks and opportunities brought about by the Freeport implementation.

371. Risk management forms an integral process within the delivery of Teesside Freeport, with the Freeport team utilising the risk management system to manage flows of activity to ensure risk is mitigated and opportunity is maximised. The Freeport will not be delivered "at once" but rather be developed over time with only the tax land and one primary custom zone designated on 19th November 2021

372. Tax Land

- Freeport Tax land can only be delivered in accordance with UK legislation and is reflective of standard codes of practice, HSE legislation as with all industrial developments / business parks in the UK
- The land has accountancy-based incentives which are claimed through the incumbent businesses returns and the business returns are audited for compliance in accordance with the Companies Act
- The development of the land is controlled through existing planning conditions.
- Freeport risk in addition is aligned with the delivery of Freeport objectives and within the timeframe to utilise incentives.

373. Custom zones

- Freeport custom zones will comprise of existing Ports (Sea & Air) and manufacturing facilities
- Each of the prospective custom zones have existing risk management arrangements which are already working well and in compliance with the appropriate regulatory bodies reflective of their business operation.
- In order to qualify as a Freeport customs zone, each site will have to attain AEO(S) (Authorised Economic Operator Security) accreditation which is administered by HMRC and audited for compliance by UKBF. AEO(S) accreditation is a higher standard of compliance than is currently operated by most Ports in the UK.
- The type of activities of the customs zones are not envisaged to alter as part of the Freeport however the volume of flows should increase with inward investment.
- Only the 3-acre PCZ (Primary Custom Zone) has been designated in law, the other custom zones will be activated at a later time, when both commercial imperative and access / egress constraints have been resolved as provided in the FBC.

374. The River Tees operates under The Port Security (Port of Tees and Hartlepool) Designation Order 2012

375. The Assurance & Compliance (A&C) workstream meet monthly and consider additional risks as a consequence of Freeport. The General consensus from this group has identified additional risks associated with:

- Delivery of Custom zones due to a delay in the delivery of guidance and/or clarity of guidance.
- Achievement of Freeport objectives of regeneration and skills
- Potential for tax evasion
- Programme for delivery

376. To formally structure the risk discussion and acknowledge the change from business case development into Freeport delivery, it is proposed to refresh the Freeport Board Governance Structure to update the roles of the workstreams (subject to agreement at the next available Board on 15th September 2022).

377. The Assurance and Compliance will be renamed to Risk, its role and function revised to:

i. Actively manage security & illicit threat risks across physical, personnel, and cyber domains, and work with DHLUC, HMRC, Border Force, the NCA, and Home Office to conduct quarterly review of the measures in place and any breaches.
ii. Review and recommend improvement to system of mitigation within the Freeport.

iii. Review and recommend improvement to customs control and facilitation process to HMG through FREN / SRO mechanisms.

378. The membership will be:

- Chair: lead representative of appointed Operator of Primary Customs Zone
- All Customs Zone representatives
- Ports Estates/Security representatives
- HMRC representative
- UK Border Force representative
- National Crime Agency representative
- Private landowner representatives

The lead officer is the Freeport Director

379. In developing and monitoring the Security and Illicit Activity Threat risk register, regular engagement with security stakeholders takes place. To mitigate risks in the wider Freeport programme, and meet the requirements of AEO standards, liaison with the relevant people to ensuring risks are accurately captured. This also ensures that risks are managed by the party best placed to manage the risk and at the most appropriate level in their organisation. The dashboard below is from July 2022.

S&I Risks above Threshold

Risk ID	Risk Title	Risk Score	Latest updates
1622	Increased risk of Money Laundering	10	In order to qualify as a Freeport customs zone, each site will have to attain AEO(S) (Authorised Economic Operator Security) accreditation which is administered by HMRC and audited for compliance by UKBF. In addition, each business will need to comply with OECD code on Illicit Trade and UK Money Laundering regulations which the Customs Site Operator will oversee.
1542	Increased risks relating to Personnel/ recruitment	8	SOPs and RAs on reaction to incident in PCZ which will be progressed as we inhabit location. At present, no threat.
1537	Available facilities	6	Confirmation of location either physical or remote where records can be examined - Completed Confirmation of process/systems used to maintain electronic record keeping
1540	Sufficient land available	6	Confirmation of land parcel - Complete Build of area

5

5h. Monitoring & Evaluation

380. The Teesside Freeport M&E Plan will follow the standards adopted in the TVCA Monitoring & Evaluation Framework and it is anticipated the locally proposed framework will fit into the overarching plans to be proposed by DLUHC as it is compliant with HM Treasury Magenta Book.

381. The Framework uses the Theory of Change and logic model, and monitors performance of the project throughout delivery into outputs and will evaluate outcomes and impacts.

382. The Freeport as part of TVCA will monitor expenditure against seed capital and revenue. The Freeport will coordinate data on the activities of partner organisations on their inward investment promotional activities and will have an overview of the progress of the activities of the activity monitored by TVCA under themes such as skills, equalities, and innovation which have existing monitoring arrangements in place. The monitoring of the following is suggested, this is not an exhaustive list, and will iterate once formal guidance is received.

383. As the Freeport tax sites overlay parts of the Teesworks site, some of the monitoring proposed exists through STDC who submit a quarterly report to Government, and where Freeport aligns, the monitoring will be carried out by those functions.

384. Resourcing the M&E activity for Freeport will be provided by TVCA. A sample is provided below.

Senior Responsible Officer	Source	Output/ Outcome/ Impact	Method of Measurement	Frequency
Head of Finance & Resources	TVCA Freeport	Operating Cost control	Cost variations	Quarterly
	External data collection	Outcome	Additional business rates income	Annually
Marketing & Communications	TVCA	Activity	Development of Promotional Materials and Investment prospectus	Quarterly
Inward Investment	TVCA Freeport	Output	Number of enquiries	Quarterly
		Output	Number of leads	
		Outcome	Number of sales	
		Outcome	Amount of investment	
		Outcome	Number of Jobs	
		Outcome	Ratio of direct : indirect jobs	Evaluations

Senior Responsible Officer	Source	Output/ Outcome/ Impact	Method of Measurement	Frequency
TVCA Strategy & Intelligence Team	Evaluation & National Data	Outcome	Average GVA per job on site	
		Impact	GVA on site	
		Impact	Estimated indirect jobs	
		Impact	Estimated indirect wages	
		Impact	Estimated indirect GVA	

List of Annexes:

Annex Aa – Logic model

Annex Ab – Logic model explanatory notes

Annex Ba – Security and illicit threat risk: Dashboard

Annex Bb – Security and illicit threat risk: Datasheet

Annex C – Project plan

Annex Da – Risk register: Dashboard

Annex Db – Risk register: Datasheet

Annex E – Tax and customs site maps; high-level maps showing the locations of seed capital, and wider supporting, investments

Annex F – Letter from Redcar & Cleveland Borough Council on the use of retained business rates

Annex G – A high-level (1-2 page) SWOT analysis summarising the key content of the Strategic Case

Annex H – Letter from all customs site operators committing to counter illicit activity

Annex Ia – Assumptions, references, and methodology for Cost modelling and analysis

Annex Ib - Assumptions, references, and methodology for BCR & VfM analysis

Annex J – Governance documents

Annex K – A trade and investment strategy

Annex L – An innovation strategy

Annex Ma – Assumptions and methodology for retained business rates modelling

Annex Mb – Retained Business Rates and Tax Benefits modelling

Annex N – A skills plan

Annex O – An equalities impact assessment

Annex P – Links to National Strategies

Annex R – Wider Interventions

Annex Q – Constraints & Inter Dependencies

Annex S – STDC Assurance Framework

Annex T – Leaders Letter of Support

Annex U – Tax Sites Management Policy

Annex V – Tax Sites Delivery Plans

Annex W – Retained Business Rates Investment Plan

Teesside
Freeport

If you'd like to find more about investment in a freeport that's unrivalled in size, scale and opportunity, please get in touch.

Phone	01325 792600
Email	enquiries@teessidefreeport.com
Web	teessidefreeport.com