



ASSURANCE FRAMEWORK

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Background

UK Freeports (Green Freeports in Scotland) are special areas that have been created by the Government to increase investment in parts of the country that have historically missed out. They benefit from a generous package of tax and customs incentives, as well as excellent port infrastructure, and build on the proud industrial heritages of their regions.

All of this enables UK Freeports to create an attractive business environment with the aim of rebalancing local economies by building new clusters (groupings) in industry sectors, supporting our journey to Net Zero, and creating thousands of high-quality jobs for local people.

Any location in a UK Freeport is subject to the same laws and regulations as the rest of the country.

Our Freeport is predicted to create over 3,500 quality jobs for the local economy. By helping to address the local skills gap with our local partners, we will maximise the likelihood that these vacancies are filled by local people living within the Freeport area.

Qualifying local start-ups and existing businesses wishing to grow will be able to do so in a competitive environment alongside businesses from further afield, including overseas, who want to establish a presence in our region. Our focus is on business growth, so businesses cannot relocate their existing operation into the Freeport – it really is all about new and growing businesses.

We also have £25m of UK Government funding, which has been matched locally by the public and private sectors, to invest in local infrastructure. This includes improving the continental ferry port at Millbay to support better connectivity with Europe and building a pedestrian/cycle bridge over the A38 dual carriageway to provide residents with an active travel link to two of our employment developments at Langage and Sherford.

Detailed background information relating to Plymouth and South Devon Freeport can be found on the Company's website – www.pasdfreeport.com.

Governance Background

Freeport governance arrangements have evolved over time to achieve compliance with Government guidance and UK company law. Plymouth and South Devon Freeport Company Ltd (the Governing Body) was formally incorporated on 16th May 2022.

The Freeport consists of the following elements:

- Plymouth City Council as the Accountable Body will receive and allocate the seed capital to support the delivery of the Annual Plan.
- The Freeport Company is a Company Limited by Guarantee established by the founder members who are the Local Authority partners. The Freeport Company will have autonomy to operate and run the Freeport within its delegated powers.
- The Local Authorities will be responsible for delivering the capital works funded by Freeport seed capital and local public sector match, generated through retained business rates, and for holding Landowners to account through the Compliance Agreements.
- The Landowners will be responsible for delivering their individual sites in accordance with the Compliance Agreements.

Governing Body

Plymouth and South Devon Freeport, as Governing Body, is accountable to the Ministry of Housing, Communities and Local Government (MHCLG) for the delivery of the PASD Freeport and achieving its strategic objectives as set out in Sections 4 and 5 of the Memorandum of Understanding (MOU)

and the approved Full Business Case (FBC). Where the Governing Body is accountable for an aspect of Freeport delivery, but contracts this out, it is incumbent upon the Governing Body to put in place the necessary mechanisms to hold partners to account for the PASD Freeport's delivery. The Governing Body will adopt the governance structures for the delivery of the Freeport as set out at 5 (a) in the Management Case of the FBC and the relevant governance annexes from the FBC.

Accountable Body

Plymouth City Council is the Accountable Body for the Freeport. The MOU sets out the Accountable Body's responsibilities in relation to the Freeport in detail, including:

- Accountability for any Government Freeport-specific grant funding including Freeport Seed Capital and Revenue Capacity Grant.
- Programme Management of Seed capital programme pipeline: Technical appraisal of individual business cases for Seed Capital projects, PCC governance including funding agreements, compliance, subsidy control, claims processing, grants payments and overseeing the seed capital risk register and bi-annual monitoring & evaluation reports to Government.
- Ensuring the good functioning of the Freeport Governing Body, e.g., compliance and assurance around: the Nolan Principles, the Public Sector Equality Duty, Procurement rules, risk management and the application of the state subsidy framework.
- Reserved right to enforce risk management systems or audit the Freeport Governing Body.
- Giving notice to MHCLG by the last working day of September of the previous financial year if they wish to amend the annual Spend Profile.
- Working collaboratively and proactively with the Governing Body, Billing Authorities and all partners to manage any actual or perceived conflicts of interest in decision-making and manage any disputes through a locally agreed process which recognises that the Accountable Body is the ultimate arbiter.

Billing Authorities

Plymouth City Council and South Hams District Council are the Billing Authorities, having responsibility for the collection of business rates and planning functions. They are signatories to the MOU and their respective responsibilities are set out there in detail. In broad terms, these are:

- Collection of business rates within a Freeport designated tax site.
- Use business rates retained locally in line with the Freeport's Business Rates Policies and Strategy and the Members Agreement.
- Deliver a planning environment that supports appropriate investment on Freeport tax sites.
- Appropriately resourcing this work.

Member Steering Group

The Member Steering Group, made up of, a senior officer lead from each of the three Local Authority partners is accountable for strategic direction of the Freeport and alignment with wider regeneration and other agendas such as Carbon Net Zero. The Member Steering Group has agreed a Scheme of Delegation for the Freeport based on the flow of powers transferred from Government and Local Authority reserved matters. The Member Steering Group will receive and agree the Annual Plan with reserved rights in relation to the financial elements as they relate to i) business rates, ii) seed capital and iii) subsidy control issues.

Current leads are the Service Director for Economic Development from Plymouth City Council, the Director of Performance and Partnerships from Devon County Council and the Director of Place from South Hams District Council.

Board of Directors

A Board of Directors has been appointed by the founder members with the following membership:

- A private sector Chair appointed by the founder members for a three-year term.
- One director each (the Local Authority Directors) nominated by Plymouth City Council, South Hams District Council and Devon County Council.
- One Director each (the Landowner Directors) nominated by Princess Yachts, Carlton Power, and Sherford Consortium.
- Additional directors may be co-opted by the Board which may include a Port Operator, University and Business Organisation.

Freeport Company Governance

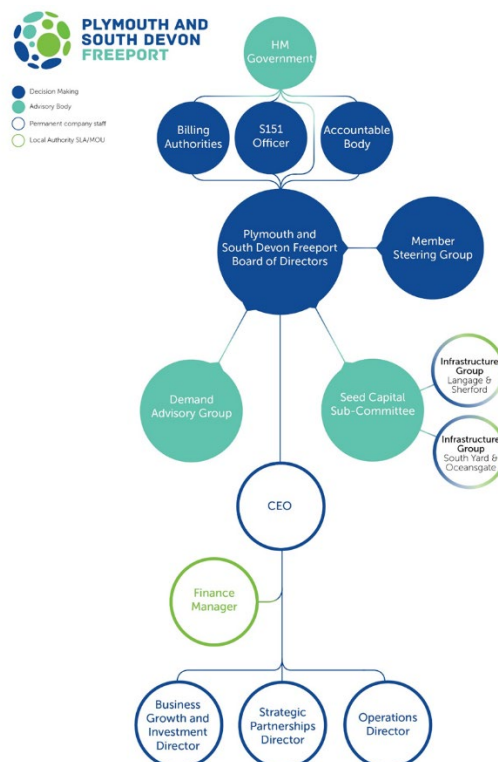
Freeport Company governance arrangements are established in its Memorandum and Articles of Association, and Members Agreement. Both documents were adopted at the first meeting of the Board of Directors held on the 19th May 2022.

The Member Steering Group and the Freeport Board of Directors are the only bodies within the Freeport with decision-making powers.

In addition to these,

- a) the Demand Advisory Group provides operational level advice and guidance to support promotion of the Freeport opportunity to eligible businesses;
- b) the Seed Capital Sub-Committee, supported by two infrastructure groups, one for South Yard & Oceansgate and one for Language & Sherford, provides guidance on operational issues around the Seed Capital allocation and site development so that these are only raised at Board Level on an exceptional basis.

Figure 1: Governance Chart



Governance Procedures

The key procedures underpinning the Freeport programme are:

The **Annual Plan** is developed by the Plymouth and South Devon Freeport Company Limited (The Governing Body), working closely with the Members Steering Group and with approval from the Members Steering Group as a reserved matter.

The Freeport Chair and CEO will be accountable for the preparation of the Annual Plan and for ensuring that it is aligned to the Freeport strategic vision, liaising closely with the Chairs of the Advisory Boards and sub-committees, with approval remaining with the Members Steering Group. The Advisory Boards and sub-committees will drive forward the associated T&I, innovation and skills agendas, as well as ensuring Freeport compliance (including security compliance). In respect of the capital delivery, two infrastructure groups (one for South Yard and the Port, and one for Langage and Sherford) will feed into a Seed Capital Sub-committee, which will have oversight of the capital programme.

Directors will be invited to put forward items for inclusion in the Annual Plan, subject to these being consistent with the Articles of Association and the promotion of Freeport objectives. Key criteria will be that the projects coming forward:

- Directly support delivery of the Freeport vision.
- Would not otherwise occur.
- Demonstrably require public funding (e.g., owing to market failures); and,
- Prioritise the key work streams of skills, innovation, and carbon net zero.

The Freeport CEO will be responsible for recommending the draft Annual Plan to the Board of Directors. The Chair of the Board will be responsible for presenting the Annual Plan and Budget to the Member Steering Group, to be agreed and signed off by the Members, in accordance with their reserved powers, which include the allocation of funding (e.g., surplus retained business rates or unallocated seed capital). The Chair of the Board will then propose the formal adoption of the Annual Plan at the Annual General Meeting. It will be monitored by the Security and Compliance Sub-Committee thereafter, with the Freeport Board receiving a Highlight Report at each meeting.

The Annual Plan must include as a minimum:

- The context of the Freeport strategy and vision.
- Company business objectives, key performance indicators, resourcing plan and financial plan.
- Measures to support implementation of the Innovation Strategy, Trade and Investment Strategy and Skills Plan, highlighting opportunities for and/or implementation of any secured additional public funding and initiatives.
- Any proposals to utilise surplus retained business rates to deliver the Annual Plan and appropriate business cases.
- Objectives of the Seed Capital Programme.

Figure 2: Freeport annual planning cycle



Scheme of Delegation

Powers of the Accountable Body:

- The functions government has assigned to the Accountable Body in the MOU.
- Relevant provisions of the SLA with the Freeport Company.
- Sign contracts with unlimited value subject to approvals set out below.

Powers of the Billing Authorities:

- The functions government has assigned to billing authorities in the MOU.
- The functions set out in the Retained Business Rates Policy.

Authority delegated to the Freeport Governing Body:

- The functions government has assigned to the Freeport Governing Body in the MOU.
- Relevant provisions of the SLA with the Accountable Body.

Matters reserved to the Members:

- Functions and powers reserved to them in the Members Agreement.
- Approval of expenditure over WTO GPA threshold.

Authority vested in the Board of Directors:

- Any functions government has assigned to the Governing Body in the MOU that are not reserved to the Members.
- Relevant provisions of the SLA with the Accountable Body that are not reserved to the Members.
- Any functions assigned to the Company Board in UK company law.
- Approval of expenditure up to WTO GPA threshold.

Authority delegated to the Chair of the Board:

- Functions set out in the Memorandum and Articles of Association.
- Any function assigned to the Chair of the Board of Directors in UK company law.
- Functions explicitly assigned in their contract of employment.
- Functions delegated by the Members or the Board of Directors.
- Approval of expenditure up to WTO GPA threshold on behalf of the Board of Directors.

Authority Delegated to Individual Directors:

- Functions set out in the Memorandum and Articles of Association.
- Any function assigned to Company Directors in UK company law.

Authority delegated to the Chief Executive Officer (Freeport SRO):

- Functions delegated by the Board of Directors.
- Functions assigned to them in the MOU or Freeport Policy Framework.
- Functions explicitly assigned in their contract of employment/role profile.
- Approval of expenditure up to £100,000.

Authority delegated to Officers:

- Functions delegated by the CEO.
- Functions explicitly assigned in their contract of employment/role profile.
- Functions assigned to them in the MOU or Freeport Policy Framework.

Authority delegated to Officers employed by partners:

- Functions set out in SLAs and MOUs agreed by the Board of Directors and signed by Chair and CEO.
- Functions delegated by the Members.
- Functions assigned to them in the MOU.

Authority delegated to contractors:

- Functions set out in SLAs and MOUs agreed by the Board of Directors and signed by Chair and CEO.
- Functions explicitly assigned to them by the contract manager within the contract.

Authority delegated to Advisory Boards:

- Functions set out in their Terms of Reference signed by CEO.

Revenue Funding

Revenue Expenditure Scheme of delegation is covered in the Annual Plan, detailing the budget for the year.

Variations to the Annual Plan can be approved by the CEO if there is available budget up to £100,000. Any costs over £100,000 must be taken back to the Board.

Changes to staffing, Board structures, and pay and conditions must be approved by the Member Steering Group prior to any changes.

Capital Funding

In the event of changes to Seed funded projects post offer letter, the Accountable Body, supported by the Seed Capital Sub-Committee, have the right to approve changes up to £250,000 or 10% (whichever is less). This is subject to funding being available. This applies to Outputs, Seed Funding and Match Funding.

Written Procedures

The Freeport Seed Funding may be approved by written procedures to accelerate delivery. It is important that correct processes are followed, and suitable notice is given, sufficient time is allowed for responses and confidentiality must be observed.

Closure of the Freeport Company

In the event of closure of the Freeport Company, all assets will transfer to the Accountable Body who will work with the other Local Authority partners to ensure the most suitable public body is responsible for any future management.

Monitoring and Evaluation

The MOU stipulates that MHCLG will carry out ongoing monitoring and evaluation. This is part of the overall assurance system that MHCLG has put in place to assess the operations of Freeports (including Accountable Body and Governing Body).

This assurance system includes:

- An annual performance and assurance review of the Freeport's operations. As part of this, a submission of the opinion of the Accountable Body's Section 151 Officer will be required.
- A formal annual conversation, which will build on the regular reports required to be submitted but also provide qualitative updates.
- A formal report twice a year on inputs, outputs and outcomes.
- An annual Freeport audit of security

MHCLG may quality-assure the data and conduct site visits. In addition to these formal reports, monthly check-ins are scheduled.

Seed Capital Application Approval Process:

As the Accountable Body, Plymouth City Council will receive an annual Seed Capital Grant allocation which will be made to the Freeport under the Government’s S.31 grant arrangements.

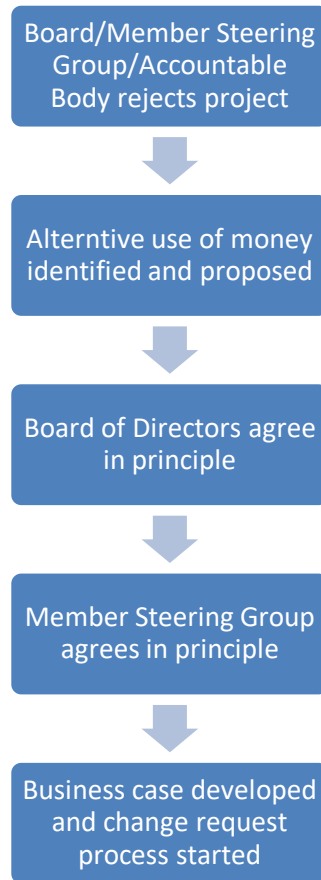
The approval process is set out below.

Figure 3: Seed Capital approval process



If a project is rejected (or cannot proceed) the following process applies:

Figure 4: Project Rejected and new allocation process



Seed Capital Change Request Process:

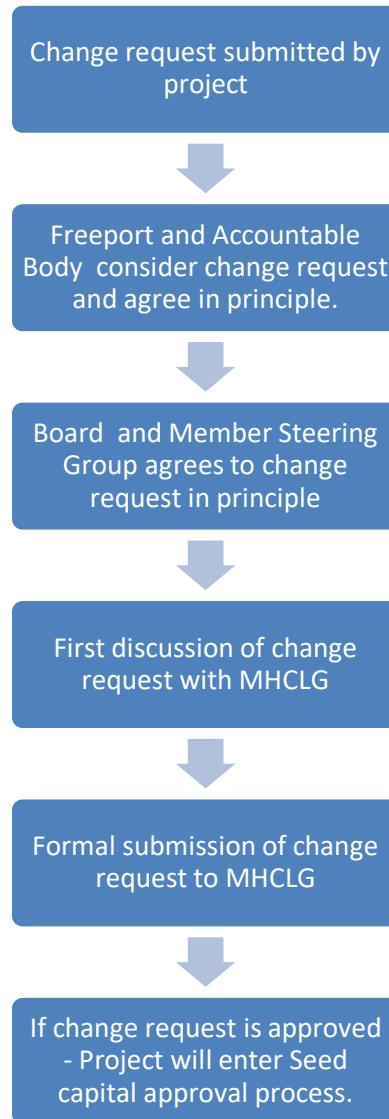
Where circumstances or costs change significantly, Freeports may be required to submit a change request proposal to MHCLG. This could be for but not limited to, alteration of seed capital projects, the funding profile, significant governance changes or the strategic direction of the Freeport.

In the first instance, Freeports should discuss the proposed change with their Freeport Lead at MHCLG to determine whether the below process is required.

Change requests will be assessed on a case-by-case basis for feasibility (deliverability; affordability) and strategic fit. There is no guarantee they will be approved.

The change request process is set out below.

Figure 5: Seed Capital Change request process



Policies and Protocols

All policies and protocols are published on the PASD Freeport website: www.pasdfreeport.com/governance.