

Humber Freeport Company Limited

Final Investment Framework

2025 – 2030

Introduction

Document purpose

This document sets out specific evaluation criteria and the prioritisation approach to be used in deciding how to use the funds available to the Freeport. Complementing this it also provides a detailed decision-making route.

This document is therefore set into two parts.

1. Defining the portfolio
2. Decision making and delivery.

A set of related documents will provide the external facing templates and processes by which external organisations can apply for funding from the Freeport. A suite of documents including monitoring and evaluation forms have been produced during the release of seed capital funding. The Freeport will update these to assess project delivery and provide details of the application process to external stakeholders. This document is intended as an internal document.

Overview

Retained business rates will continue to be viewed by Government as public funds. As such, North East Lincolnshire Council will act as the Accountable Body for audit and accounting purposes.

The Freeport Company Board and management team will be responsible for developing proposals for the allocation of funds from the business rates 'pool' (see below for more detail on this process). The Board will make recommendations to the Public Funds Committee and funds will only be released by the Accountable Body for expenditure for approved purposes on the request of the Public Funds Committee. The Public Funds Committee will oversee the decision-making process to determine the schemes into which the retained business rates should be reinvested.

The Public Funds Committee will be established as a joint committee of the HLB (therefore outside of the Freeport Company), using established governance and delegations and enabling public sector accountability for the expenditure of business rates funds while avoiding potential conflicts of interest for local authority members or officials.

This approach provides the Public Funds Committee with an overview governance role which enables transparency and accountability in the use of retained business rates in the local area

and a mechanism to ensure that projects funded by retained business rates fit with the Freeport's strategic aims.

Size of the fund

The fund will be formed from four potential areas.

- Site Specific Agreement contributions
- Retained rates
- Matched funding – private sector; grant and or loan
- The ability to borrow against (hypothecate) against anticipated future income streams.

The approach to allocating the fund is consistent with the proposed approach in the Freeport's Full Business Case (FBC). A diagram from the FBC is included in the Appendix to this document.

If there is significant demand for funding (exceeding the funds available) then *additional* matched funding and borrowing will be considered as mechanisms for increasing the size of the fund available. Matched funding should be pursued regardless of any deficit in the funds available.

Scope of the fund

Development funding for schemes not yet at the delivery stage will be considered where they meet the criteria.

The Freeport Company will be open to making funds available to public sector entities, private sector entities, not-for-profits, charities and other types of organisation. In all cases, appropriate due diligence of recipients will be undertaken prior to the release of funds.

Investments will be considered that take the form of a one-off grant, a multi-year grant (for example to support borrowing undertaken by the project's sponsor), equity investments, co-investment, and - in exceptional circumstances - loans. Investments of both a capital and revenue nature will be considered.

It is expected that the promoters of potential investments will be required to demonstrate their commitment to the project, especially through the availability of matched funding to support a contribution from the business rates programme.

Associated documents

This document is one of three planned documents encompassing Humber Freeport's Investment Methodology.

Investment Plan	Investment Framework	Delivery Plan
•Sets the strategic direction and scope for future investments •Establishes key investment priorities, timelines, principles and methodology	•Sets out specific evaluation criteria and prioritisation approach to be used •Defines a detailed mapped decision-making route	•A three year plan for Humber Freeport initiatives •Documents the rational for external projects also required.

Defining the portfolio

Guiding framework

This framework is based on MoP[®] (Management of Portfolios, Axelos). This provides a common language and an established framework for managing portfolios of this nature. Therefore, the core stages of *defining* the portfolio are as follows.

The word *Project* is to be taken to mean any distinct proposal for funding, which may in fact be a programme of work or funding an element of a larger project.

Stage	Implications for this portfolio
1. Understand – Document the strategic objectives, existing portfolio of projects and long-list of potential projects	This should consider activities led by other regional bodies, such as the Humber Energy Board or the Devolution Deal Investment Plans, along with existing Freeport commitments.
2. Categorise – Group the projects into a defined set of categories – often based around strategic themes	Suggested categories are provided later in this document.
3. Prioritise – Ranking of the projects against agreed scoring criteria	Suggested scoring is provided later in the document – as per <i>Balance</i> stage, this scoring is not binding and the selected list will account for resource constraints and creating balance to the portfolio.
4. Balance – Assess the mix of projects and the implications for resources, adjusting the ranking to improve portfolio shape	In the early years of Freeport operations, balance is particularly important as a concept.
5. Plan – Develop a roadmap and timeline for delivering, including the appropriate release of resources.	The roadmap will be appropriately high level given that many of the projects will be delivered by organisations beyond the Freeport.

MoP also provides guidance on how a portfolio should be *delivered*. This is covered in part two of this document. Each *defining* stage is now covered separately in the subsequent sections.

Although the stages are run sequentially, the principle is to repeat the cycle. An example of this in action would be upon concluding Stage 5: Plan, it may be that a key enabling project is identified as a useful intervention – therefore a new project is added to the list created in Stage 1 and the cycle is repeated. The second iteration would be concluded quickly. However it is likely that this additional project will necessitate the removal of a previously planned project. The consequences of this would need to be considered, documented and approved.

Understand

Hopper creation

The list of projects will include projects already proposed or approved elsewhere. Where they are approved they will be considered certain and where they are proposed they will be marked as such. Therefore in the consideration of Freeport projects (meaning projects funded by this investment vehicle), interdependencies will be identified and any critical ones considered. For

example Freeport project A will only be considered worthwhile if external project B proceeds as proposed.

Candidate investments for each theme will be identified via two routes.

- Firstly, a call for expressions of interest will be made. This will be published on the Freeport's website, and using other channels such as the Local Authorities. The call will set out the objectives of the theme, the eligibility criteria, the information required from applicants and the timing of the process. Any organisation, individual or group of individuals will be able to put forward an expression of interest for consideration in response to a specific call.
- Secondly, the Freeport Company will undertake work to identify its own potential schemes for assessment by the Board. The purpose of this is to ensure that consideration is given to schemes that (a) could contribute to the Freeport's objectives but have not necessarily been identified by external parties, and/or (b) are designed to address funding gaps or 'gear-in' opportunities for further funding from other sources such as Government grant programmes. These may be specific schemes or pan-regional strategy development.

To enable a fair and transparent process and to avoid any potential conflicts of interest, the Freeport Company will be required to produce and submit the same expression of interest as required for applicants to the external call. Where any conflict of interest arises from a Board Member being involved or linked to a submission, they will remove themselves from any voting decisions regarding that proposal.

Strategic objectives of the Freeport

Humber Freeport's vision is to be a major catalyst in the development of the Humber economy. It has identified three key strategic objectives to help guide its progress against this vision.

The Freeport's strategic objectives are:

1. To contribute to UK plc's competitive advantage in global trade and investment
2. To accelerate our communities' prosperity within the Humber
3. To enable businesses to create new, high-paid, high-skilled and sustainable jobs.

Key activities contributing towards this, and setting the scope for potential investments are to:

- Attract high-value investment in emerging and developing sectors
- Create a supporting, integrated and collaborative investment environment through skills, innovation and net zero
- Seek and maximise the impact of external funding
- Develop and maintain a sustainable investment model
- Full development of "Tax Sites."

Wider context and plans to be considered

The investment plans to be considered in defining Humber Freeport's portfolio are:

- Existing Freeport initiatives such as the Seed Capital projects already approved
- Humber Energy Board's Net Zero Plan
- The Humber Economic Strategy
- Greater Lincolnshire Devolution Deal Investment Plan
- Hull and East Yorkshire Devolution Deal Investment Plan

- Other Freeport programme initiatives, either centrally driven or through other Freeports and Green Freeports
- Any other high profile regional investments considered noteworthy by the Board.

Categorise

The Freeport must first meet its obligations for operations and debt management. These can be included as categories for the purpose of documenting the funds required for these activities.

The portfolio of projects is proposed to be divided into the following categories:

- Innovation and productivity initiatives
- Net Zero initiatives
- Skills and regeneration initiatives
- Tax site development – Able Humber Port
- Tax site development – Goole
- Tax site development – Hull East

In the case of Innovation, Net Zero and Skills initiatives, these would be projects supporting the wider region or multiple tax sites. For example an innovation centre being built at a single tax site, supporting local occupants, would be considered as tax site development.

Tax site development might include investment in infrastructure located close to a tax site, even if outside of its physical boundary.

Prioritise

There are five essential principles, which must be met:

- Strategic alignment to our company's mission and values
- Drive regional economic growth and regeneration
- Demonstrate additionality (No deadweight or displacement)
- Demonstrate a requirement for public funding (e.g. market failure)
- Positive ROI / BCR

There are three further principles to be considered:

- Strength based investment opportunities
- Capacity for revolving funding
- Lever in match investment

These investment principles will form the basis of assessment criteria for the purpose of scoring individual projects proposed for Freeport funding.

In addition to the above, projects will need to demonstrate that they are most appropriately funded from the retained rates pool.

A proposed scoring matrix is included in the Appendix. The second part of this document explores the scoring process in greater detail. The process is expected to be refined between each funding round, reflecting the emerging needs of the Freeport and adopting any learnings from previous rounds.

Balance

As set out in the FBC, one of the objectives of the Retained Rates fund is:

Delivering growth and opportunities fairly and equitably across all parts of the Humber Freeport, recognising differing needs across the Humber, and the impact of all the Freeport's programmes, including Tax and Customs Sites and seed capital investment.

Good portfolio management also considers a balanced approach. This enables:

- Good risk management
- Achieving all strategic objectives of the company
- Optimisation of resources
- Greater resilience to change – for example significant market shifts
- Delivering on multiple measures of value, such as:
 - Attracting investment to the region
 - Growth in future retained rates
 - Job creation.

During the balancing stage the Freeport will consider the implications of the ranked projects being delivered as determined by the scoring, identifying key enabling projects which should be promoted, as well as any imbalance across the categories. In the early years it may be necessary to accept imbalances as funds are limited. It is expected that subsequent funding rounds will address these imbalances.

Plan

During the planning phase it may be revealed that some provisionally approved projects create blockages or resource constraints. Therefore as well as creating a high-level roadmap for the tracking of progress, provisional decisions may be challenged and the portfolio revisited.

Given the nature of the expected portfolio, this is unlikely to be a challenging stage. In the early years, with limited investments this is particularly unlikely to lead to adjustments. However as 2030 approaches there will be greater emphasis placed on the ability for projects to deliver to a timescale which enables investments prior to the 30 September 2031 deadline for reliefs.

Decision making and delivery

Basis of the framework

The processes used here build on work set out in the Full Business Case and in developing the process for Grant Funding, initially used for the allocation of funding to the £25m of seed capital projects at the Freeport, and local authority processes.

Decision making criteria

As set out in the first part of this document, the fund will be allocated using a portfolio approach. This means individual requests for funding will be assessed not just on their own merits but how they interact with other awards made from both this fund and other funds outside of the Freeport's control. This can lead to an iterative process with higher benefits.

Eligibility

Requests for funding will need to be received from eligible bodies. The definition of an eligible body will be agreed by HFCL's Board prior to administering the first round of funding (i.e. the creation of the first Delivery Plan). The working assumption is that requests must be for specific projects within the Freeport's outer boundary and the application received from an organisation registered in the UK.

To manage the volume of requests, there will be a requirement for a sponsoring organisation for each project. This will be a Local Authority, a tax site landowner or the Freeport itself.

To progress to the assessment stage, each request must demonstrate each of the following, to the satisfaction of the Freeport:

- Strategic alignment to our company's mission and values
- Drive regional economic growth and regeneration
- Demonstrate additionality (No deadweight or displacement)
- Demonstrate a requirement for public funding (e.g. market failure)
- Positive ROI / BCR.

In addition, a project application for funding must score at least 50% in its assessment. Projects with a score under this value will be invited to resubmit the form and address any documentation shortfalls. Applications scoring over 50% will be informed they have been passed through to detailed assessment however will be given the same window of opportunity to improve their applications, thereby creating a fair process for all applicants.

Assessment

The previously developed assessment criteria are included in the Appendix. This will be refreshed and published prior to each funding round. The weightings will be adapted to reflect the current needs of the investment cycle and adopting any learnings from previous rounds.

During the assessment stage, the Freeport will have the right to contact applicants for points of clarity where additional information will improve the accuracy of assessments.

Recommendations

As a portfolio approach is to be taken, the ranking of projects will be used only as a starting position for the recommendations. Adjustments will be made to create synergies and avoid duplication of benefits (i.e. double counting). There will also be greater support provided to

projects which enable others, either directly or through the acceleration of future retained rates and therefore the Freeport's ability to further invest in the region in subsequent funding rounds.

Based on the opportunities (demand, or applications for funding) and the scale of funds available (based on known income and the capacity to borrow or secure matched funding), a recommendation on the level of investment will be made. It is envisaged that around 80% of the available funds will be allocated with 20% held in reserve for the following reasons:

- To cover any unforeseen costs and cover contingency at individual project levels. Note that some cost uncertainty must be held by the requestor and overspend covered without further support from the Freeport, however some potential costs may be deemed acceptable for the Freeport to cover through this contingency.
- To cover any exceptional requests which arise outside of the set timescales. Note that the three year plan will be refreshed each year and form a rolling plan of investment – this is intended to cover opportunities which can demonstrate a time criticality and will be considered at the Freeport's discretion. The same levels of approval as the core portfolio.

The level of contingency will be set once the recommended investments are known. For the avoidance of doubt, the 20% target level of contingency is based on the Freeport's core funds. That is, the total funding for a specific investment round could be, for illustrative purposes:

- Core funds - £8m (80% of core funds)
- Contingency - £2m (20% of core funds)
- Matched funding relating to specific investments - £4m
- Borrowing against future retained rates - £6m
- Total fund - £20m (of which £2m to be retained as contingency).

Approval process

Timescales will depend on the volume for each funding round. However the approval process will follow the same sequence.

Phase 1: Set-up

In advance of each Delivery Plan, HFCL Board will agree:

1. Priorities of the fund
2. Bodies eligible to apply
3. Scoring criteria and templates required from applicants
4. The baseline scale of the fund (prior to any matched funding)
5. Whether borrowing will supplement the fund
6. Any other considerations such as conditionality of grants
7. Planned timescales (based on expected levels of demand)
8. Confirmation of key features, including but not limited to:
 - a. Monitoring, Evaluation and Reporting requirements for successful applicants
 - b. An appeals process for unsuccessful applicants.

These design features will be approved at a Board meeting ahead of the start of the process and Phase 2.

Phase 2: Eligibility

Once the list of applications has been compiled, the Freeport will filter to a list of eligible applications and document the reasons for rejections. These will either be:

- Body applying is ineligible
- Project did not meet the 5 eligibility tests, set out earlier in this document
- Project did not score at least 50% in the assessment criteria, following an opportunity to address shortfalls.

These decisions will be presented to HFCL Board for information. Approval will not be sought.

Phase 3: Assessment and recommendation

Projects will be ranked, within their categories, based on their scores. The Freeport will then produce a first draft list of the projects which can be funded within the agreed envelope, based on the numerical ranking system.

Various alternatives will be created based on the following questions being asked of the portfolio:

- Are there any currently rejected projects which would protect or enhance the benefits of key projects we are funding? That is, are enabling projects in need of promotion?
- Are there any duplicate projects being proposed? This could be duplicate in terms of the benefits being sought.
- Are there any projects consuming significant resources (in particular funds, though could also be human, or other, resources)? Although these may have high return on investment, the opportunity cost may be significant.
- Are the categories reasonably balanced or are there some within which the Freeport wishes to promote projects beyond their natural ranking for the sake of spreading the projects across categories?

Once this step of Phase 3 has been completed the Freeport will produce a high-level roadmap for the proposed projects. If this step calls into question the decisions made, Phase 3 will be repeated considering this new information.

Once a stable list of projects and a high-level roadmap (showing project delivery timescales and the realisation of benefits) is available, this will be presented to HFCL Board for approval.

If the portfolio is rejected by the Board and project-level changes are considered to have impacts on the wider portfolio, Phase 3 will be repeated.

Phase 4: Public Funds Committee and Accountable Body

Consistent with Government guidance and regulations, final due diligence will be required to be undertaken prior to investment being finally approved and offer of funding formally made. The due diligence process will incorporate verification of outputs and a value for money assessment, validation of the applicant's business standing and ability to deliver and will require consideration of subsidy control matters.

The projects recommended for use of retained business rates will then be referred to the Public Funds Committee for endorsement or rejection.

All projects approved by the Public Funds Committee also need to be signed-off for approval by the Accountable Body to ensure financial compliance, before proceeding to contractual agreement stage. A detailed Decision Notice will be provided to the North East Lincolnshire

Section 151 Officer which includes the approval process to date, contractual conditions required for the scheme, and recommendations from the Public Funds Committee.

Monitoring and Evaluation

Projects receiving full approval will be required to contract with the Freeport. This process will include agreeing to the monitoring and evaluation requirements.

Prior to the first Delivery Plan, a monitoring and evaluation framework will be developed to track the performance of all investments made from the business rates programme. This will be to ensure that a project is meeting its outputs in terms of delivery against the objectives of the Freeport, compliance with any conditionality around the defrayment of public funds, compliance with the terms of any funding agreement entered into, delivery against financial forecasts and overall project management.

All projects will be required to monitor and report on – for example – use of funds, milestones achieved, and risks associated with delivery. A standard reporting template will be developed; however, there may be instances where HFCL or the Accountable Body feels additional monitoring is required for a scheme due to the escalation of risk levels.

Progress against outputs and outcomes will be reviewed by HFCL at agreed intervals, once a scheme has completed its delivery stage. Progress reports will continue to be provided until all outputs have been achieved.

A framework, with templates, was developed for the seed capital projects. This will form the basis for this fund, with any additional requirements necessitated by the projects being supported.

Risk management

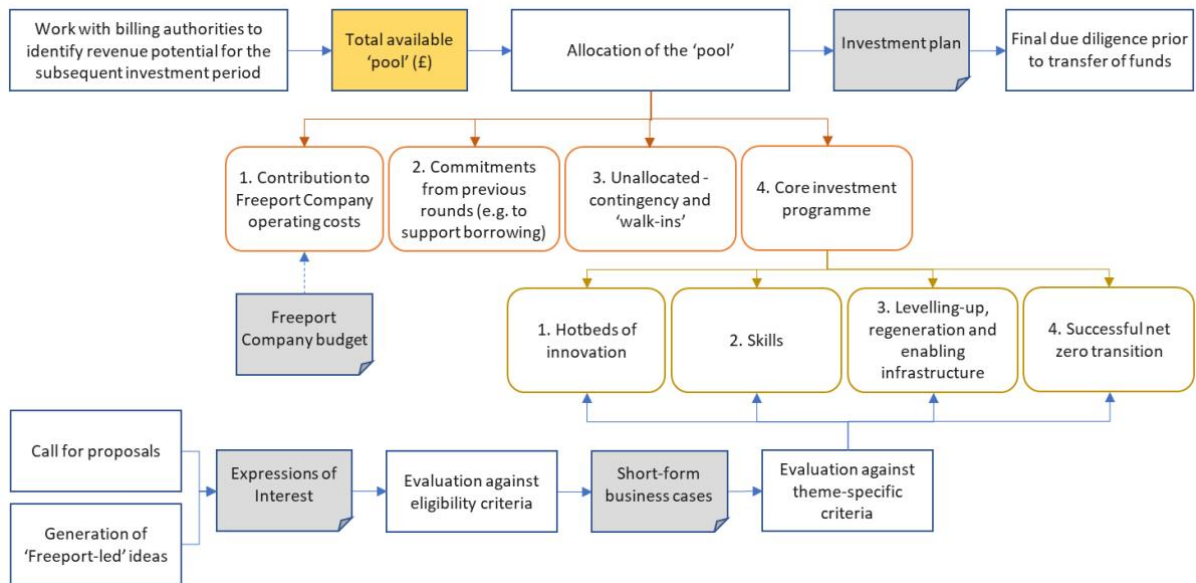
Projects with significant benefits will be included in HFCL's corporate risk register and will be managed through existing processes. Portfolio-level risks will also be considered. These would include, for example, risks where there is a common resource across multiple projects (and therefore risks materialising with that resource would impact much of the portfolio).

Reporting and communication

The Freeport Company will maintain an overall 'dashboard' for the programme showing a RAG rating of each scheme and other information. It is expected that this will form part of the suite of reporting provided to Government under the monitoring and evaluation regime.

Appendix

Proposed allocation process from the Full Business Case



Scoring Principles

SCORING CRITERIA			
	Criteria	Strong projects will have...	Weak projects will have...
A	Impact on Humber Freeport's goals and wider impact such as cost savings and jobs safeguarded	The project will have a positive impact on Humber Freeports objectives in skills, innovation, and decarbonisation.	It is unclear how the project will benefit towards achieving Humber Freeports objectives in skills, innovation, and decarbonisation.
B	Clear links with the grant fund priorities	The applicant has identified how the project is linked to the priorities from Humber Freeports objectives and the identified priorities.	It is not clear how the project is linked to the priorities from Humber Freeports objectives and the identified priorities.
C	Evidence of Need	The applicant has demonstrated the required knowledge of the issues affecting the Humber Freeport region to identify potential mitigating actions.	The project proposal is based on anecdotal evidence and it's unclear whether this project is needed.
D	Evaluation and Promotion	It is clear how the project will be promoted and publicised to the target audience and/or communities. There is a clear approach and methodology to capture project outputs and outcomes in a clear and robust way.	It is unclear how the project will be promoted and how the outcomes and impact of the project will be evaluated.
E	Value for Money	The project has been realistically costed and the impact of the project is appropriate in relation to the amount of funding that has been requested.	The project is either significantly under costed or over costed which creates a risk to the project and its outcomes/impact.
F	Deliverability	The project is realistic and achievable, and it is clear how and when the project will be delivered and by whom.	It is unclear what the project will do, who will deliver it, how it will be delivered and by when.

G	Project legacy and sustainability	The applicant has considered project sustainability after the funded project has been completed i.e. it is clear how the project will continue (if relevant).	It is unclear how the project will continue after the funding has been spent and whether what has been proposed is achievable.

Scoring Matrix

0 No Evidence

1 Poorly Met

2 Satisfactory

3 Good

4 Very Good

SCORING CRITERIA

Criteria	Score Range	Weight	Max Weighted Score
A	0-4	4	16
B	0-4	4	16
C	0-4	4	16
D	0-4	3	12
E	0-4	3	12
F	0-4	2	8
G	0-4	2	8

- Groups can achieve a maximum score of 88 points
- A medium score is considered to be 44 points
- Applications that score less than 44 will be referred back to the applicant or rejected.