



# **Humber Freeport Company Limited**

## **Final Investment Plan**

**2025 – 2030**

## Why does Humber Freeport need an Investment Plan?

The Humber Freeport's vision is:

“To be a major catalyst in the development of the Humber economy.”

The funds raised through the activity of the Humber Freeport and resulting investments enable a direct contribution in achieving this vision. Optimising the use of available funds will accelerate and enhance investment in the Freeport, which in turn will increase future year funds. Therefore, the early year investments are of critical importance to the Freeport's success.

## The rationale for public intervention

The Humber estuary is a national strategic asset.

The Humber is the busiest UK trade estuary by tonnage, hosting the country's busiest port (Immingham) and its most extended ports cluster, which runs from Goole (the UK's most inland port, 80km from the sea) at the western end, to Grimsby at the eastern end, with Hull, Immingham, Killingholme and New Holland ports, and numerous waterside facilities, in between.

It has excellent rail, road and inland waterway links, proximity to several regional airports (including East Midlands Airport, a constituent of East Midlands Freeport) and is well connected to key infrastructure such as distribution pipelines. There are 40 million UK consumers within a four hour drive of the Freeport.

The Humber is also the UK's “Energy Estuary”, hosting two of the UK's six oil refineries and its second largest chemicals cluster. It is the landing point for roughly half of England's natural gas and is pioneering the emerging green technologies that will power the future. The Humber sits aside the low carbon future with significant developments already underway through the investment of ABP, Siemens Gamesa, RWE, Ørsted and many others in clean energy sectors, and the potential to develop storage technology through battery and power to gas solutions to increase grid stability and energy security for the UK. The Humber is home to approximately 1/3 of the UK's offshore wind power capacity.

While these fundamentals are strong, in today's world – they are not enough. Compared to the UK as a whole, the Humber has 20% higher adult unemployment, 12% lower median salaries and 25% lower Gross Value Added per capita. It also has twice the pro-rated share of England's top decile of deprived locations. It is a key target for addressing regional imbalances.

Development in the Humber is impacted by high abnormal costs (e.g. flood risk mitigation) and, more generally, private investment returns are low relative to social ones. This is a source of market failure and a barrier to growth, particularly in more capital-intensive sectors such as manufacturing and energy. The problem is particularly acute in innovative technologies related to clean energy that are characterised by high set-up costs, inherent uncertainty and additional societal benefits that are not priced in by investors.

Broader economic trends, including improvements in the efficiency of inland transport networks and supply chains, and the nature of port and shipping operations themselves, mean that port regions no longer capture as great a share of the national benefits of their ports infrastructure as perhaps they once did.

Meanwhile, the transition to a low carbon economy, while rightly a national and regional priority, puts further pressure on the Humber, where a quarter of all economic activity depends directly on

carbon-intensive industries. The Energy Estuary's transition towards Net Zero will be key to the UK's overall success in meeting the commitment to reducing net emissions of greenhouse gases by 100% compared to 1990 levels by 2050, but the delivery of this transition matters hugely for the Humber economy, which must gain more than it loses if Net Zero is not to lead to a widening of the gaps in relative economic outcome between the region and the rest of the country.

Freeport Policy and the resulting Humber Freeport Company Limited is a catalytic tool designed to help stop relative decline in the region. Additionally, it will help build in the soft and hard infrastructure needed to create the capability, capacity and ecosystem necessary for the region to develop key sector clusters and growth. Also important is the ability to evolve over time, both shaping and reacting positively to externalities and market conditions.

One key aspect of the Freeport initiative is the ability to retain uplift in business rates over a pre-determined baseline, pool this income stream and then reinvest into the Freeport area. This creates a relatively sustainable source of finance from which to develop key socio-economic programmes and projects under local control.

This "pooling" creates the "Investment Fund". This mechanism is in place until 2046. Future thought will be given to post 2026 arrangements regarding either the sustainability of the fund or wind down.

This catalytic investment tool is not to be seen in isolation but very much as part of an integral suite of key strategies and plans steering the economic fortunes of the Humber area, notably; Hull and East Riding Combined Authority Investment Plan, the Greater Lincolnshire Investment Plan and their resulting Humber Economic Strategy and the Humber Energy Board's Net Zero Plan being developed in conjunction with central government.

## Outline

This Investment Plan sets the strategic direction and scope for future investments and establishes key investment priorities, timelines, principles and methodology.

This document covers both income streams generated through enhanced business rates and additional and complementary grant or loans schemes investable through the company into Humber Freeport activities.

Supporting documents complementing the approach will be the *Investment Framework* which will set out the specific evaluation criteria and prioritisation approach to be used, encompassing Gateway criteria, assessment criteria and scoring assessment and a detailed mapped decision-making route and the *Delivery Plan*, initially set for three years and including the rationale behind own product development and the need for an external call for projects too.

## Scope

The Investment Plan is designed to cover the core geographical boundary set by Government through the Humber Freeport Outer Boundary, approximately a 10-mile-deep radius around the Humber estuary (Appendix 1).

This plan, however, promotes an additional complementary sectoral approach encompassing not just where an investment is located but also if it has material impact on the key identified investment priorities.

At present, known investment decisions by companies locating onto Humber Freeport Tax Sites are conservatively profiled to generate non-national domestic rate (business rate) uplift (gross

of an estimated 20% provision for reviews and relief) of £3m in 2027/28, £7m in 2028/29 and £10m per annum by 2029/30. (See Appendix 2 for profiling detail and methodology).

This income stream can be utilised for either capital and / or revenue projects.

### **Interdependent Investment Plans and Economic Strategies**

There are two key regional investment plans/strategies with which Humber Freeport's own investments must be coordinated.

1. Humber Energy Board's Net Zero Plan
2. The Humber Economic Strategy (HES).

These have closely aligned geographic and sectoral scope and, along with the Humber Freeport Investment Plan, will receive triple-lock agreement from the Freeport Board, Humber Energy Board and Mayoral Joint Committee. Therefore, investment decisions can be made in the confidence that related projects have reasonable levels of commitment.

The HES is being developed as a condition of two devolution deals (Hull and East Yorkshire and Greater Lincolnshire). Although these devolution deals cover a far broader geographic area than the Freeport, the HES will loosely serve the same geography as the Freeport's outer boundary. Hull City Council is leading on this work, with support commissioned from Arup. The working assumption is that the HES will be funded by the two devolution deal investment plans.

The following key milestones are expected in the production of these strategies and plans:

- **November 2024** – Humber Freeport Investment Plan – initial draft to Board
- **January 2025** – Humber Economic Strategy – advanced draft expected
- **Early 2025** – Humber Energy Board Net Zero Plan – draft expected
- **May 2025** – Devolution Deal Investment Plans – effectively fully approved once mayors are elected.

As a triple lock agreement is planned between the three key documents, these differing timescales will require careful management and an iterative approach to finalising the respective portfolios.

The following diagram summarises the geographic and sectoral scope of these investment plans.

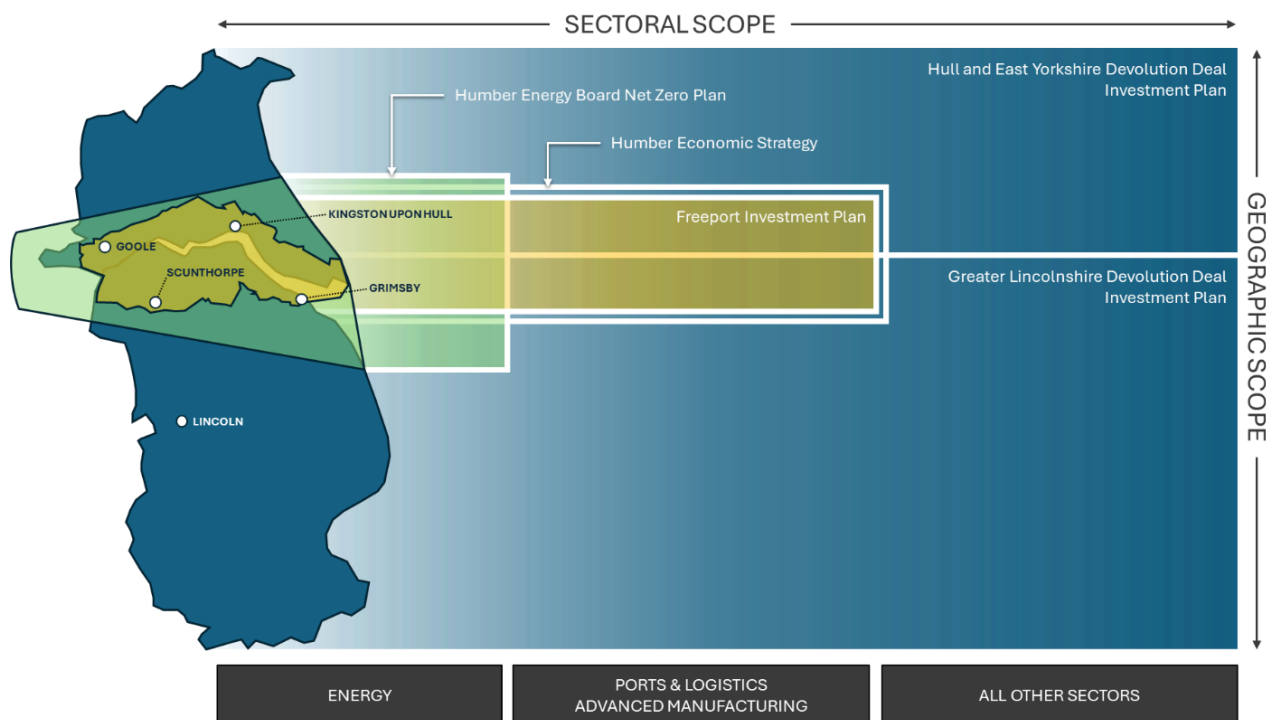


Figure 1: Complementary scope of multiple regional investment plans

## Investment Principles

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.

## Determination of the scale 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.

## Investment Areas and Phasing

The Investment Plan is designed to cover the following key areas of activity.

- Freeport operations, including marketing of the Freeport
- Freeport debt management
- Tax site development
- Skills initiatives
- Innovation initiatives
- Net Zero initiatives.

However, the ability to maximise the potential revenue stream is correlated to the ability to achieve as maximum occupancy of the tax sites as possible before the “Sunset” date currently set by Government of September 2031. After this date the commercial appeal of the tax sites will be normalised to adjacent sites outside of the Freeport and uptake may be slower.

## Planning framework

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

| Investment Plan                                                                                                                                                                                         | Investment Framework                                                                                                                                                                      | Delivery Plan                                                                                                                                                              |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>•Sets the strategic direction and scope for future investments</li> <li>•Establishes key investment priorities, timelines, principles and methodology</li> </ul> | <ul style="list-style-type: none"> <li>•Sets out specific evaluation criteria and prioritisation approach to be used</li> <li>•Defines a detailed mapped decision-making route</li> </ul> | <ul style="list-style-type: none"> <li>•A three year plan for Humber Freeport initiatives</li> <li>•Documents the rational for external projects also required.</li> </ul> |

Figure 2: Investment Methodology - Document Hierarchy

**Investment Plan** This Investment Plan is designed for the time period 2025 to 2030 and is prioritising development and growth, the ability to accelerate the development of the Tax Sites along with meeting operational and thematic costs and debt legacies. There is a need to repay historic bid costs within three years of there being material business rate uplift income. A refreshed Investment Plan will be produced in 2029 /30 to reflect the next stage of investment priorities. This is anticipated to prioritise reinvest and grow and seek to invest the revenue streams for the next 15 years into complementary and strategic fit economic growth projects.

**Investment Framework** A full Investment Framework will be developed to set out clear gateway and investment criteria and decision making process and governance covering the timescale and commensurate with the Investment Plan.

**Delivery Plan** A detailed Humber Freeport Delivery Plan will be produced on a annual rolling basis covering a three year period. This will be produced in early 2025 reflecting greater certainty in the level of funds available, commensurate timing and articulation of investment needed.

At present it is too early to identify specific programmes and projects other than to say that they will be aligned to prevailing Economic and Energy strategies within the Humber.

## Decision Making

A full Investment Framework will be developed to set out clear gateway and investment criteria and decision making process and governance. However, the four key steps are expected to be:

1. Agree project mandate and statement of strategic fit (HFCL Board decision making)
2. Outline Business Case to HFCL and Accountable Body for assessment (HFCL Executive decision making)
3. Full Business Case to HFCL and Accountable Body assessment (HFCL board decision making)
4. Recommendation to Public Funds Committee (Endorse or refuse)

## **Project Development**

All projects to be developed and assessed in line with the five-dimension model in the HM Treasury Green Book and appraisal guidance published by individual Government departments. However, schemes seeking investment will undergo a proportionate process to assess the merits of the application, its strategic fit and value for money. The details of this process and the thresholds for different levels of scrutiny will be documented in the Investment Framework.

While projects will be individually assessed, they form part of an important ecosystem within the Freeport and the Humber region. Therefore, complementarity will form part of the decision-making process.

## **Contract and Contract Management**

Funds issued through the Public Funds Committee will be subject to an agreed contract and contract management between the HFCL and the applicant organisation.

## **Monitoring and Evaluation Framework**

A comprehensive monitoring and evaluation framework is in place which has been designed in accordance with the most recent HM Treasury's Magenta and Green Book principles and other monitoring and evaluation guidance, such as that published by the What Works Centre.

The Framework will support the Government's five-yearly Gateway Review process for evaluating investment funds.

A programme management function will be established through the HFCL to oversee project delivery and the release of any stage-related funding. Additionally, the function will seek to support through best practice delivery and advising on the optimum use of resources.