

**CABINET – 24 MARCH 2020****MIDLANDS ENGINE DEVELOPMENT CORPORATION PROPOSALS****REPORT OF THE CHIEF EXECUTIVE****PART A****Purpose of the Report**

1. The purpose of this report is to advise the Cabinet on the Midlands Engine Development Corporation programme, known as Project Alchemy, and seek its approval for the Council's involvement in the next steps in the development of proposals.
2. In October 2018 Government announced £2m of funding to explore the business case for a locally led development delivery vehicle for the East Midlands. The Midlands Engine Development Corporation programme was asked to consider three geographical areas in the East Midlands including Ratcliffe on Soar Power Station and the proposed Toton HS2 hub and Chetwynd Barracks in Nottinghamshire, and East Midlands Airport in Leicestershire.

Recommendation

3. It is recommended that the Cabinet
 - (a) Supports
 - (i) the Council's continued role in the establishment of Project Alchemy (the Midlands Engine Development Corporation) and the required interim arrangements; and
 - (ii) the bid for an inland Freeport;
 - (b) Notes the continued development of a summary business case for Project Alchemy and that a further report will be presented to the Cabinet in Spring 2020, when finalised.

Reasons for Recommendation

4. To ensure that there is enough capacity to help drive the delivery of growth, investment and associated benefits for the east midlands region achieved through the potential of a locally led Development Corporation.

Timetable for Decisions (including Scrutiny)

5. The Cabinet's support for the development of proposals will ensure the Council remains influential in the formulation of the draft business case, in advance of any formal submission to Government, and subsequently.

Policy Framework and Previous Decisions

6. The aims and outcomes of Project Alchemy are expected to align with the Council's Strategic Plan.

Resource Implications

7. There are no resource implications arising from the recommendations in this report. Any financial implications of the interim structure and the establishment of the development corporation will be separately reported to the Cabinet in due course.

Legal Implications

8. The Director of Law and Governance has been consulted on this report.

Circulation under the Local Issues Alert Procedure

9. As this is a matter which will affect all areas of the county, this report is being circulated to all members of the County Council via the Members Digest.

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PART B

Background

10. In October 2018 the Government announced a new £10 million fund to generate innovative proposals for new business-backed development corporations and similar delivery models. This was aimed at funding up to ten housing and economic growth opportunities, focusing on regeneration. The funding would assist local authorities, and private or third sector organisations in partnership with local authorities, to explore new delivery models such as development corporations.
11. The Midlands Development Corporation interim oversight board was established in March 2019, chaired by Midlands Engine chairman Sir John Peace, and £2 million was awarded by the Government for development of the Corporation.
12. The interim oversight board includes representatives from Midlands Engine, Midlands Connect, the Local Enterprise Partnerships, East Midlands Chamber, East Midlands Airport, the city and county councils in the East Midlands and those district councils whose areas include the three sites (set out at paragraph 2), HS2 Ltd, Highways England, and the Midlands Innovation group of universities.

The Proposition

13. The ambition of the Development Corporation programme is to deliver the following outputs across three separate but connected geographical areas in the East Midlands including Ratcliffe on Soar Power Station (to be de-commissioned in 2025), the proposed HS2 hub at Toton and adjacent Chetwynd Barracks site in Nottinghamshire, and the East Midlands Airport and land around it in Leicestershire:
 - A minimum 4,500 additional homes.
 - Total employment of over 40,000 jobs across the three areas, with a net additional 84,000 jobs across the region.
 - 1 million tonnes of freight handled at East Midlands Airport per annum.
 - A green corridor connecting the three areas through the existing blue and green infrastructure.
 - £4.8bn GVA growth per annum for the region.
14. The potential of each site has been considered by the consultant team and this has generated the above numbers. The propositions are summarised as follows:
 - i. Ratcliffe on Soar Power station, privately owned by Uniper UK Ltd

Employment-led development through a joint university and industry research and demonstrator facility is being drawn up. This would build on the energy-generating heritage of the site and wider region. A range of complementary uses are also being explored, including a new skills centre, energy generation, data storage, and advanced manufacturing.

Consideration is also being given to the potential for 'freeport' status with East Midlands Airport. In total, the emerging proposition highlights the potential to deliver up to 20,000 jobs.

ii. Toton and Chetwynd Barracks

Proposals centre on Toton and Chetwynd Barracks and create a garden village with a mix of housing and employment, including the potential to deliver around 4,500 homes and up to 6,500 knowledge driven jobs. It will provide a highly connected community. The area will have unrivalled national, regional and local public transport links. The vision of a station in a park with a mixed-use innovation campus connects well with the concept of a 'Green Corridor' integrating the three development locations via the River Erewash and canal.

iii. East Midlands Airport

East Midlands Airport is a major economic driver for the East Midlands economy. Some 9,500 people are employed at over 100 businesses across the airport site. To the immediate north of the airport lies the 700 acre East Midlands Gateway served by a major new rail freight terminal. The Gateway will create 7,000 additional jobs on completion. The development proposition will include sustainable growth and acceleration of the freight handling capacity beyond existing growth plans. There is also consideration being given to the potential for 'freeport' status in the area.

15. Each key site is significantly in excess of 200 hectares and therefore offers a scalable proposition. Together they have the potential to drive a level of co-ordinated investment in the enabling infrastructure not seen for several generations. It is intended that the whole East Midlands region stands to benefit from this infrastructure; together with the skills, knowledge and capacity offered by a development corporation. These qualities are likely to be transferable across the region and the programme will continue to engage actively with, and consider, how proposals will complement and align with the plans and aspirations of partners across the region including the Local Industrial Strategies of the regions' Local Enterprise Partnerships (LEPs).
16. The infrastructure under consideration will include social, environmental and physical infrastructure including transport, digital and utilities. Specific measures will include improved roads and a concerted focus on a comprehensive approach to public transport provision reflecting the findings and recommendations of the East Midlands Gateway Connectivity Study. Delivery will involve close working with Midlands Connect. Ultimately, the proposition will demonstrate the investment case for much needed supporting infrastructure and how it will optimise and accelerate the potential of the area.
17. In considering inclusive growth, the initiative will consider skills and training. It will provide an opportunity to consider integrated approaches working with industry, education and research institutions. This will reflect the on-going restructuring of the economy with continued technological advancement. A hub and spoke approach should help to link areas of higher deprivation to the opportunities here.

18. Finally, the proposal makes provision to enhance the natural environment linking the area's distinctive green infrastructure through a green corridor that connects the three development locations alongside the River Trent; River Erewash; River Soar and the canal network; and Attenborough Nature Reserve, which all underscore the area's credentials as an attractive place to live and do business.

Freeports

19. On 2 August 2019 the Trade Secretary announced the creation of new Freeports, intended to boost international trade and economic growth after Brexit. On 11 February 2020 the Government launched a public consultation on Freeport policy, which will remain open for 10 weeks.
20. The Government's ambition is that Freeports will enhance trade and investment across the UK, boost growth and high-skilled jobs, and increase innovation and productivity in port regions, particularly those situated in or near deprived areas. Freeports will send a strong signal that the UK is an attractive trade and investment location which is open for business. The consultation seeks views on customs, tax, planning and regeneration policies related to Freeports and initial ideas on the competition to become a Freeport.
21. The Project Alchemy Oversight Board has been asked to coordinate a response to the consultation on behalf of the East Midlands. The County Council is also represented on a senior officer Freeport Working Group.
22. Freeports are secure customs zones located at ports where business can be carried out inside a country's land border, but where different customs rules apply. They can reduce administrative burdens and tariff controls, provide relief from duties and import taxes, and ease tax and planning regulations.
23. The freeport application would be assessed against a number of criteria:-
- a. as national hubs for global trade and investment across the UK, assessed against:
 - i. economic potential
 - ii. commitments of private sector investment
 - iii. economic vulnerability, and risk of displacement from port and local area
 - iv. effective local leadership
 - v. robust and appropriate governance arrangements which encourage strong collaboration across the public and private sectors
 - vi. geographic location of ports
 - b. promote regeneration and job creation, assessed against:
 - i. deprivation of the area surrounding Freeport locations
 - ii. the strength of local relationships and alignment with existing economic strategies
 - iii. how ready sites are for development
 - iv. credibility of proposals

- c. create hotbeds for innovation, assessed against:
 - demonstration of how they will enable ports and local businesses to generate and test innovative ideas, including technological solutions for port operations and decarbonisation of business and industry.

- 24. Freeport applications will also need to satisfy HMRC, working with Border Force, that their customs zone proposals are compliant with the necessary security requirements.

Programme Governance

- 25. The development of Project Alchemy has been undertaken by an Oversight Board supported by an Executive Group. The Oversight Board is made up of leaders of the city and county councils in the East Midlands and those district councils whose areas include the three sites, alongside the private sector; business community; central government; LEPs; and university representatives. The Executive Group is a smaller group of executive officers, including the Chief Executive of the County Council. Both are chaired by Sir John Peace, as chairman of the Midlands Engine.
- 26. The business case will set out to Government the preferred option and demonstrate how it meets the criteria for public-sector intervention. It establishes a case for change, a value for money assessment, commercial viability, financial affordability, and a route to delivery. The detail of some of the key elements is in the final stage of development.
- 27. The Development Corporation programme team is actively engaging local stakeholders to inform the thinking.

Current Activity and Next Steps

- 28. Work is continuing on a summary business case for the Development Corporation with a formal submission to Government anticipated later in Spring 2020. A report along with the business case will be presented to Cabinet in Spring 2020.
- 29. The development of the business case has highlighted the lack of any off-the-shelf model in statute to deliver the region's development corporation aspirations for a locally led approach of the kind envisaged. Coincidentally and concurrently in late 2019, the Government undertook a consultation on the effectiveness of the legislation governing development corporations.
- 30. The Midlands Engine has submitted a response to the consultation proposing the need for a new hybrid model. The outcome of the consultation is awaited, and further updates will be provided where necessary.
- 31. The need for legislative changes to establish the type of development corporation required means that a statutory development corporation may take some time to come into effect. It is proposed, in the meantime, to establish a non-statutory interim vehicle. The arrangements and the team to set up and operate this vehicle will emerge during the coming months, but it will continue to involve all the directly

affected local authorities as part of the oversight function. A report regarding funding and resources for this will be presented to the Cabinet in due course.

Equalities and Human Rights Implications

32. There are no equality or human rights implications arising directly from the recommendations in this report.

Background Papers

None.

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