



**CABINET - 22 JUNE 2021**

**EAST MIDLANDS GLOBAL GATEWAY FREEPORT – INCLUDING  
URGENT ACTION TAKEN**

**REPORT OF THE CHIEF EXECUTIVE**

**PART A**

**Purpose of the Report**

1. The purpose of this report is to update the Cabinet on the latest position in establishing a Freeport (to be known as East Midlands Global Gateway) covering sites in Leicestershire, Nottinghamshire and Derbyshire, to set out the next steps in that process, and to advise the Cabinet of urgent action taken by the Chief Executive using his delegated powers to agree that the Council take on the role of lead authority and accountable body for the Freeport, and to incur expenditure to that effect.

**Recommendations**

2. It is recommended that the Cabinet notes
  - (a) The latest position and next steps in establishing the Freeport; to be known as the East Midlands Global Gateway;
  - (b) That the Council is a member of the Freeport interim Board with the Leader of the Council as the nominated representative; and
  - (c) The urgent actions taken by the Chief Executive under delegated authority for the Council to assume the role of lead authority and accountable body and incur expenditure to support progression of the Freeport proposal in the form of a business case.

**Reasons for Recommendation**

3. To ensure that the Cabinet is aware of the latest position and next steps in establishing the Freeport.
4. With respect to the urgent action taken by the Chief Executive regarding the lead authority and accountable body role, the Government's guidance, published on 1<sup>st</sup> April 2021, on Freeports Governance requires each freeport to have a nominated local authority as its Lead Authority and Accountable Body. The Chief Executive took the decision, following consultation with the Leader of the Council and following discussions with the other County

Councils hosting sites within the proposed Freeport, in order to meet tight deadlines set by Government for the submission of this information.

5. The Council's Constitution (Part 3, Section D) provides that the Chief Executive may take urgent decisions between meetings subject to this being reported for information to the next available meeting.

### **Timetable for Decisions (including Scrutiny)**

6. It is anticipated that a Full Business Case for the Freeport will be submitted to Government in Autumn 2021, with an Outline Business Case likely due towards the end of July 2021.

### **Policy Framework and Previous Decisions**

7. On 15<sup>th</sup> December 2020 the Cabinet received a report regarding the Council's participation in the Development Corporation Interim Vehicle and the emerging East Midlands 'Freeport' proposal and resolved 'that the Chief Executive, following consultation with the Leader of the Council and the Cabinet Lead Member for Resources, be authorised to agree the Council's support or otherwise, for the submission of a Freeport bid.' The bid (in effect an Expression of Interest or EoI) was submitted to Government, with the Council's support, on 5<sup>th</sup> February 2021. The Chancellor announced that the EoI had been successful during his Budget announcement on 3<sup>rd</sup> March 2021.
8. The Chief Executive took the urgent decision set out in paragraph 4 above on 8<sup>th</sup> April 2021. It was necessary to incur expenditure given there was no governance or programme management in place and immediate Government deadlines to be met. Landowners and local authorities had been meeting under the chairmanship of the D2N2 Local Enterprise Partnership (LEP) which had submitted the EoI prepared by consultants.

### **Resource Implications**

9. The Government confirmed in May that 'Capacity Funding' will be available to be bid for in 2021/22 once the Ministry of Housing, Communities and Local Government (MHCLG) has approved a Freeport's governance proposals.
10. The Director of Corporate Resources and the Director of Law and Governance have been consulted on the content of this report.

### **Circulation under the Local Issues Alert Procedure**

11. This report has been circulated to Mr. T. Pendleton CC.

### **Officers to Contact**

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## **PART B**

### **Background**

12. As set out in Part A of this report the Council agreed to support the submission in February 2021 of an Expression of Interest (EoI) to create a Freeport in the Derbyshire, Nottinghamshire, Leicestershire area which will bring additional powers and tools to strengthen the regional economy as it 'builds back better' from Covid19 and responds to the opportunities and challenges generated by the UK's exit from the EU. The EoI was the only one from within the Midlands region (East and West).
  
13. The Government's Freeport Bidding Prospectus states that Freeports are "a flagship Government programme that will play an important part in the UK's post-Covid economic recovery and contribute to realising the levelling up agenda, bringing jobs, investment and prosperity to some of our most deprived communities across the four nations of the UK with targeted and effective support."
  
14. A range of benefits to be available to Freeports has been set out by the Government in the following policy areas:
  - Customs
  - Tax, including measures on:
    - Stamp Duty Land Tax (SDLT) Relief
    - Enhanced Structures and Buildings Allowance
    - Enhanced Capital Allowances
    - Employer National Insurance Contributions Relief
    - Business rates
  - Planning
  - Regeneration and infrastructure (successful bidders will be able to access a share of £175 million of seed capital funding, depending on the successful submission of an outline business case).
  - Innovation.
  
15. The EoI was submitted to Government on 5<sup>th</sup> February by D2N2 on behalf of Derbyshire, Leicestershire and Nottinghamshire County Councils, South Derbyshire and North West Leicestershire District Councils, and Rushcliffe Borough Council, and the two LEPs, together with a range of private sector landowners with interests in the proposed Freeport sites. It was supported by local and regional MPs.
  
16. The Freeport proposal (the East Midlands Global Gateway) is intended to bring the following benefits to the economy:
  - Increase local and regional economic activity by incentivising new investment.
  - Boost international trade in high-value manufacturing goods.
  - Boost skills opportunities, increasing the number of apprenticeships, and increasing the level of skills qualifications.
  - Support regeneration by creating sustainable employment.

- Reduce greenhouse gas emissions in industrial and energy production.
  - Improve physical and digital regional, national, and international connectivity and integration.
  - Enhance labour productivity in key sectors, such as manufacturing and logistics.
17. The East Midlands Global Gateway is focused on three sites: one each in Leicestershire, Derbyshire, and Nottinghamshire:
- (1) East Midlands Airport and Gateway Industrial Cluster (EMAGIC) in Leicestershire includes the Freeport's primary customs site at East Midlands Airport, the UK's largest freight airport handling 350,000 tonnes of cargo per year. EMAGIC includes plots on SEGRO's Logistics Park at the East Midlands Gateway, including access to a 50-acre Strategic Rail Freight Interchange and freight terminal, operated by Maritime.
  - (2) East Midlands Intermodal Park (EMIP) in Derbyshire is located adjacent to the nationally significant Toyota manufacturing plant. The site has the potential to become one of the next generation of rail connected business parks. The proposed investment would also enable a significant modal shift, from road to rail freight, reducing carbon emissions for businesses within the region.
  - (3) Ratcliffe-on-Soar Power Station in Nottinghamshire is owned by Uniper whose vision for the site is to move towards becoming a zero-carbon technology and energy hub for the East Midlands. Emerging development plans have the potential to create jobs based around modern industrial and manufacturing uses, with sustainable onsite energy generation providing a local source of low carbon heat and power. Options are being explored that would enable areas of the site to be developed before the coal-fired power station closes in line with Government policy by 1<sup>st</sup> October 2025, helping to secure jobs and investment in the region.
18. The Chancellor, in the Budget announced on 3<sup>rd</sup> March 2021, confirmed that the Freeport had been shortlisted to progress to the next stage. Seven other proposed Freeports were also shortlisted: Felixstowe and Harwich; Humber; Liverpool; Plymouth; Solent; Thames and Teesside. Part of the Humber proposal is also in the 'East Midlands' as defined by the Government for administrative purposes.
19. On March 25<sup>th</sup> 2021 MHCLG sent a detailed response to D2N2 in respect of the Freeport EoI setting out a range of work needing to be undertaken immediately to ensure the preparation of a robust Business Case for the Freeport. The East Midlands bid was not assessed as highly by MHCLG as other successful bids.
20. On April 1<sup>st</sup> 2021 the Government issued guidance on the next stages of the Freeport approval process. This guidance sets out a stretching timetable that

will see the first Freeports formally designated by the end of 2021 with key stages being:

- Submission of detailed governance arrangements, a risk register, and an implementation plan – these were submitted by the end of April 2021 and have since been responded to by MHCLG;
  - Submission of outline business case by summer 2021;
  - Confirmation of tax sites and details by summer 2021;
  - Confirmation of customs sites and details by autumn 2021;
  - Submission of full business case by autumn 2021.
21. The Government guidance also requires a single local authority (or mayoral combined authority) to act as the accountable body for a Freeport. With the primary customs site being within East Midlands Airport, which is located in Leicestershire, it was agreed that the County Council should fulfil this role. The Council formally took on this role from April 19<sup>th</sup> 2021. Key accountable body duties include:
- receiving and managing Government funding and monitoring/ reporting against the use of these funds;
  - upholding procurement practices;
  - providing effective support to the interim Freeport Board in delivering its objectives to achieve formal designation as a Freeport and progressing to delivery;
  - maintaining appropriate project documentation e.g. project plans and risk registers;
  - ensuring the Board operates in line with transparency, propriety and inclusivity standards;
  - publishing relevant papers, minutes and a register of interests; and
  - acting as a single point of contact for Government officials.
22. Given the scale of the task and the rapid pace required in preparing a Business Case for the Freeport, EY was commissioned by the County Council to support this work and provide immediate additional capacity. As stated above, the Government is making available ‘Capacity Funding’ to which the County Council will bid to cover costs incurred.
23. In discussion with key stakeholders, including through workshops co-hosted by the Leader of the Council and Sir John Peace, the Chairman of the Midlands Engine, the Council and EY working with landowners have made initial progress in the following areas and confirmed the title of the Freeport as the East Midlands Global Gateway (EMGG):
- A revised vision for the Freeport to be *‘the UK’s pre-eminent green, multimodal inland freeport and gateway to global trade, economic growth and job creation’*.
  - Clarity of the proposed objectives and operating principles of the Freeport;
  - Development and submission of governance proposals, including terms of reference for the interim Freeport Board, an interim governance arrangement for the pre-delivery phase;

- Development and submission of a strategic risk register and associated risk management process;
  - Development and submission of a Diversity Statement;
  - Development and submission of an Implementation Plan;
  - Development and establishment of Programme Working Groups to support the delivery of Programme activity;
  - The appointment of an independent Chair for the interim Board;
  - The commencement of a process to recruit a dedicated Freeport; Programme Manager to be hosted in the Chief Executive's Department.
24. The Government's guidance on governance is that Board membership should not exceed 12 "to ensure efficacy". A case by exception has to be made to increase the membership. The first meeting of the Board (scheduled for the week commencing 14<sup>th</sup> June), which would consider any such case, was convened to include 13 members: the independent Chair, 6 representatives from the host county and district councils, and 6 representatives of the landowners. The local authority and landowner representation is prescribed in the guidance. The Leader of the Council represents the Council on this Board. To help fulfil the Council's accountable body role the Section 151 officer, the Director of Corporate Resources, in line with Government guidance, will attend Board meetings as an observer.
25. A number of sub-Boards will be established to oversee specific workstreams, and a wider Engagement Network, also in line with Government guidance, is proposed to ensure the views of key stakeholders such as LEPs, the Chamber of Commerce, Midlands Engine, Midlands Connect, universities and colleges are secured to inform the preparation of the business case.
26. Should the submission of the business case in late 2021 lead to the formal designation by Government of the Freeport it will be necessary to establish a Board, appoint a Chair, and establish a programme structure and team for the delivery phase. It will also be necessary to appoint a lead authority/ accountable body although it is worth noting that the Government's expectations are that the lead authority/ accountable body for the set-up phase will continue to carry out these roles for the delivery phase.
27. Arrangements are in hand to put in place governance arrangements within the Council to manage the Council's engagement with the Freeport proposal, including lead member oversight and increasing capacity within the Growth service in the Chief Executive's Department.

### **Equality and Human Rights Implications**

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

### **Background Papers**

Report to the Cabinet on 15 December 2020 "East Midlands Development Corporation 'Interim Vehicle (Devco)' and Freeport Proposal" - <https://bit.ly/3v5jfe8>

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