

**CABINET – 24 MARCH 2026****EAST MIDLANDS FREEPORT: CHANGE OF ACCOUNTABLE BODY
AND GOVERNANCE IMPLICATIONS****REPORT OF THE CHIEF EXECUTIVE****PART A****Purpose of the Report**

- 1 The purpose of this report is to present details of the transfer of the Accountable Body role for the East Midlands Freeport (EMF) from the County Council to the East Midlands Combined County Authority (EMCCA). This is following Government direction after EMCCA's establishment as a Mayoral Strategic Authority. The report also outlines the key issues, governance and voting implications, and states the County Council's position.

Recommendations

- 2 It is recommended that the Cabinet:
 - a) Notes the transfer of the Accountable Body role from the County Council to EMCCA, along with the governance, assurance and voting implications arising from this;
 - b) Delegates authority to the Chief Executive, following consultation with the Director of Corporate Resources and the Cabinet Lead Member for Resources, to take all actions and decisions required of the County Council in its capacity as a member organisation of the East Midlands Freeport, excluding any matters reserved to, or exercised by, the County Council's appointed EMF Board Director.

Reasons for Recommendation

- 3 The transfer of the Accountable Body role is driven by national policy and ministerial directives. EMCCA is anticipated to assume responsibility as the Accountable Body for EMF, subject to approvals from the EMF Board, EMCCA Board, and the Ministry of Housing, Communities and Local Government (MHCLG). This process must uphold robust governance standards, facilitate meaningful engagement from both public and private sectors, and ensure adequate mayoral oversight of EMF's strategic direction.

- 4 Any changes to EMFs governance arrangements arising from the Accountable Body transfer and the County Council's proposal will require unanimous agreement from all EMF Board members.

Timetable for Decisions

- 5 Ministerial direction has given a deadline of 31st March 2026 to complete the transfer, with new arrangements to go live on 1st April 2026.
- 6 Practically the transfer will happen through the novation of existing governance and funding agreements, including the Accountable Body Agreement, the Memorandum of Understanding with Government, and the Retained Business Rates Agreement.

Policy Framework and Previous Decisions

- 7 The establishment of the EMF and the County Council's role as Lead Authority and Accountable Body were agreed in accordance with national Freeport policy and Government requirements. New policy direction and ministerial guidance require that, following the establishment of EMCCA, the Accountable Body role for the Freeport should transfer.
- 8 The Council's decision to act as Accountable Body was taken by the Chief Executive under delegated authority on 23 April 2021, following consultation with the Leader, and was subsequently approved in a report to the Cabinet on 26 April 2022, along with the necessary governance, financial and operational arrangements. These decisions supported delivery of the Council's Strategic Plan (2022–26), in particular the outcome relating to a strong economy, transport and infrastructure, by enabling participation in a major, nationally significant economic programme.

Resource Implications

- 9 Once the transfer is complete EMCCA will assume responsibility for the Accountable Body governance and assurance functions, including compliance with Government requirements and the stewardship of public funds, in place of the County Council.
- 10 The County Council will no longer be financially liable for the Accountable Body function. All existing arrangements will be novated with appropriate indemnity and liability provisions agreed between the County Council and EMCCA.
- 11 The Director of Corporate Resources and Director of Law and Governance have been consulted.

Circulation under the Local Issues Alert Procedure

- 12 None.

Officer(s) to Contact

Jane Moore
Chief Executive
Telephone: 0116 305 6000
Email: jane.moore@leics.gov.uk

PART B

Background

- 13 East Midlands Freeport (EMF) was incorporated as EMF Ltd in July 2022 as a company limited by guarantee. The final business case was signed off by Government on 30 March 2023. It is the only inland Freeport (with East Midlands Airport acting as the 'port') as part of a programme of Freeport creation by the previous Government. The Freeport covers three specific sites, namely:
- East Midlands Airport and Gateway Industrial Cluster (EMAGIC) in North West Leicestershire
 - Ratcliffe on Soar Power Station site in Rushcliffe, Nottinghamshire
 - East Midlands Intermodal Park (EMIP) in South Derbyshire.
- 14 EMF Ltd comprises twelve founding members: six corporate partners and six local authorities, each of whom appoints a director to the Board. Local authority representation is typically undertaken by Leaders or portfolio holders. An independent Chair brings the Board's total membership to thirteen.
- 15 A requirement for Freeport status is that an Accountable Body function must be provided by a local authority. Since its inception, the County Council has served as the Accountable Body for EMF. The responsibilities of the Lead Authority/ Accountable Body include, but are not limited to:
- Receiving funding on behalf of EMF and ensuring proper administration, compliance with relevant legislation and funding conditions, and delivering value for money in public expenditure.
 - Maintaining financial systems to account for all funds received and disbursed on behalf of EMF.
 - Embedding sound governance into decision-making, adhering to the Nolan principles and the National Local Growth Assurance Framework.
 - Retaining essential information and ensuring accurate monitoring, recording, and reporting of expenditure, activities, and outcomes.
 - Acting as the single point of contact for the Ministry of Housing, Communities and Local Government (MHCLG) on all matters relating to the Lead Authority/Accountable Body within the Freeport.
- 16 In correspondence dated 28 March 2025, MHCLG clarified that Accountable Body status should transfer from the County Council to EMCCA no later than two years following the establishment of EMCCA (i.e., by 28 February 2026). An agreement reached with MHCLG stipulates that this change will be effective at midnight on 31 March 2026, thereby streamlining implementation by aligning with accounting years and minimising officer time and public resources required for group account preparation.
- 17 The UK Industrial Strategy (June 25) further articulates the expectation that Freeports and Investment Zones should be integrated locally to provide greater

alignment and clarity to end users and investors under the designation of 'Industrial Strategy Zone' sites.

- 18 Government underscored that, with the establishment of EMCCA as a Mayoral Strategic Authority, the Accountable Body function should transition to EMCCA to ensure enhanced regional alignment.

Implications for Governance Arrangements

- 19 There are several principal agreements relating to Accountable Body Status that must be transferred from the County Council to EMCCA. These include the Accountable Body Agreement, the Memorandum of Understanding with MHCLG, and the Retained Business Rates Agreement involving the County Council and the relevant billing authorities. Additionally, the County Council is a signatory to grant agreements in its capacity as Accountable Body. All agreements are capable of being transferred (novated) from the County Council to EMCCA.
- 20 The Accountable Body Agreement outlines essential elements, such as the duties and responsibilities of the Accountable Body, the expected time commitment, procedures for reimbursement by EMF, and protocols for data sharing. The intention is for this agreement to be novated to EMCCA without any changes, thereby facilitating seamless transition.
- 21 EMF's governance framework incorporates several checks and balances, including the Accountable Body's power to veto the business plan and major financial decisions. Although the Accountable Body is not permitted to veto investments based on policy considerations, it does exert influence if concerns about value for money arise. This influence may take the form of advising EMF and the Board, referring issues to MHCLG, or withholding the signature and release of funds in accordance with principles governing public money and value for money. Such measures cannot be taken solely due to policy disputes or if an investment falls outside the county boundaries.
- 22 The Accountable Body Agreement contains a schedule of reserved matters, which require approval from different groups, including the Founding Members, the Accountable Body (who retain veto authority over certain decisions regardless of membership status), the EMF Board, and Public Sector Directors.
- 23 Most decisions taken by the EMF Board require a majority approval from both the public and private sector director cohorts. Significant changes, such as modifications to governance structures, necessitate unanimous approval from all Founding Members. Decisions concerning public funding are initially reviewed by a Section 151 sub-committee and subsequently by a public sector director sub-committee before being submitted to the wider Board (including private sector members) for strategic guidance. This process ensures a clear separation between decisions made by the entire Board and those specifically related to the management of public finances which are restricted to Public Sector Directors.

- 24 There are two categories of EMF Board membership: Associate Membership and Founding Membership. Notably, only Founding Members have the authority to appoint a Director to the EMF Board. The Membership Agreement and Articles of Association provide that changes to Founding Membership and EMF Board composition are matters for the EMF Board to decide. Where such changes affect governance or voting arrangements, they are treated as requiring unanimous Founding Member approval.
- 25 A determination regarding EMCCA's membership status within EMF is necessary. EMCCA's preferred position is to have both Accountable Body status and Founding Member status. Obtaining Founding Member status would allow EMCCA to appoint a director to the EMF Board, thereby securing a role in shaping the organisation's strategic direction. However, the appointment of EMCCA as a Founding Member may lead to potential representation or voting imbalances between the public and private sector members. EMCCA has provided assurance that this transition will not negatively affect the Leicestershire authorities.
- 26 There is also potential for an imbalance between EMCCA authorities and those not within the combined authority. This imbalance currently exists and so far has not caused issues, but there may be a need to adjust voting rights in the final version of the agreement to counteract this disparity.
- 27 Representatives from the County Council and North West Leicestershire District Council met with EMCCA in early February 2026 to discuss the implications of this imbalance. EMCCA has provided assurance that the transfer of Accountable Body from the County Council to EMCCA will not negatively impact Leicestershire Authorities.
- 28 The issue of Accountable Body governance was discussed at an EMF Board meeting on 26 February 2026. At this meeting the County Council proposed that Leicestershire be allocated an additional vote on the EMF Board, to be exercised by one of the Leicestershire local authority representatives in circumstances where EMCCA holds both Accountable Body status and Founding Member voting rights. The deployment of this additional vote would be agreed between the County Council and North West Leicestershire District Council. It was agreed that the EMF office will contact all EMF Board members and seek views on the EMCCAs and County Council's proposals. This will be subject to further discussions at EMF Board meetings.

Conclusion

- 29 The transfer of the Accountable Body role for EMF to EMCCA is required by national policy following the establishment of EMCCA. The proposed arrangements allow the transfer to be completed in an orderly and low risk manner through the novation of existing agreements, while maintaining governance and assurance. The County Council's proposal for an additional Leicestershire vote where EMCCA holds both Accountable Body and Founding Member status aims to give balance to the voting and governance issues arising from the Accountable Body transfer.

Equality Implications

30 There are no equality implications arising from the recommendations in this report.

Human Rights Implications

31 There are no human rights implications arising from the recommendations in this report.

Other Implications and Impact Assessments

32 There are no other implications or assessments required.

Background Papers

Report to the Cabinet – 22 June 2021 -

<https://democracy.leics.gov.uk/documents/s161918/East%20Midlands%20Global%20Gateway%20Freeport.pdf>

Report to the Cabinet – 26 April 2022 -

<https://democracy.leics.gov.uk/documents/s168678/East%20Mids%20Freeport%20FINAL.pdf>

This page is intentionally left blank