

## **REPORT OF THE LEADER OF THE COUNCIL**

### **EAST MIDLANDS FREEPORT OUTLINE BUSINESS CASE**

#### **Purpose of the Report**

1. This report seeks Committee approval for the support in principle and endorsement of an Outline Business Case (OBC) for the East Midlands Freeport, subject to certain conditions set out in the recommendations.

#### **Information**

2. On 13 January 2021 Policy Committee endorsed the submission of an Expression of Interest to Government for an East Midlands Freeport (the Freeport). The submission was successful and the East Midlands Freeport Board must now submit an Outline Business Case by 10 September 2021. The OBC will be evaluated by MHCLG and successful OBC will progress to a Full Business Case (FBC), for submission on 12 November 2021.
3. Some information contained in this report is not for publication by virtue of paragraph 3 of the Schedule 12A of the Local Government Act 1972 as it contains information relating to the financial and business affairs of partners collaborating with the County Council (including the Council) to develop the OBC. Having regard to all the circumstances, on balance the public interest in disclosing the information does not outweigh the reason for exemption because the information would add a limited amount to the public understanding of the issues but would significantly damage the Council's and partners commercial position. The exempt information is contained in the Exempt Appendix. The version of the OBC in the Exempt Appendix is subject to amendment at the Freeport Board on 2 September, ahead of submission to Government by 10 September 2021.

#### **What is a Freeport?**

4. Within Freeports, trade is facilitated by reducing the direct and administrative costs of trading goods with the rest of the world. Goods entering a Freeport zone are not subject to typical import procedures. The goods can be processed and re-exported from the zone without being considered to have entered the host country. Import duties and procedures are only borne at the moment that goods enter into the domestic economy.
5. In the UK, Freeports are a flagship government programme that are expected to play an essential part in the UK's post-Covid economic recovery and contribute to realising the levelling up agenda, bringing jobs, investment and prosperity across the four nations of the UK through benefits and incentives. The report to the January 2021 Policy Committee (listed as a background document to this report) set out in some detail what Freeports are and how they work in terms of their purpose and incentives. In addition, the January report set out how Government will offer financial support to successful Freeports, particularly in respect of the costs of infrastructure, planning and attracting inward investment.

6. In summary, the objectives of the Government's Freeports Policy are to create national hubs for global trade and investment across the UK, promote regeneration and job creation, and to create a hotbed of innovation. Set in the context of these objectives, securing a Freeport could bring significant benefits to Nottinghamshire, particularly when combined with the newly established East Midlands Development Corporation, of which the County Council is part owner.

### **Progress with the East Midlands Freeport Bid Since January 2021**

7. The Freeport bid is centred on East Midlands Airport as the port of entry, with two additional key sites, at the Ratcliffe on Soar power station site in Rushcliffe, Nottinghamshire and at the East Midlands Intermodal Park site in South Derbyshire.
8. Following the announcements in March 2021, the Government produced guidance for each Freeport partnership. That guidance included a requirement that a lead local Council was identified to lead the development of the OBC. Leicestershire County Council provide that function for the Freeport given the port of entry is in Leicestershire. Under their leadership, progress has been made including:
  - a. The confirmation of interim Governance for the Freeport Board – the County Council is represented by the Leader.
  - b. The appointment of an independent Chair (Penny Coates), who has an extensive background in the commercial sector, including in the aviation industry.
  - c. The appointment of external specialist support. Leicestershire County Council has provided their own resources as match funding to resources provided by Government and have procured Ernst Young (EY) to provide consultancy support to develop the OBC.
  - d. The appointment of an interim Programme Director (David Leighton) to provide programme management support, David has a background in the commercial sector, including in port industries.
  - e. Creation of a work programme with 9 working groups focusing on a wide range of components required to complete the OBC, including Operating Model, Tax and Customs, Skills, Infrastructure, Risk Management.
9. At the time of publication of this report, the final version of the OBC was not available. The final draft of the OBC will be circulated separately to members of Policy Committee, on 27 August 2021.

### **County Council Support for the Freeport**

10. The January report to Policy Committee set out in detail the key considerations for the County Council, specifically, infrastructure requirements and impact on road and rail networks, planning requirements, financial implications (including the use of business rates) and economic benefits.
11. The Outline Business Case addresses these matters through the means of a Treasury five case model. There are separate cases for the strategic, economic, financial, commercial and management aspects of the OBC. Officers leading the work on the Freeport bid have been sighted on the key developments within the OBC as they have emerged and are satisfied that subject to the final version being reviewed, the proposals deal with the Council's key considerations sufficiently at this stage. The OBC does not commit the Council to expenditure at this stage and the risks in respect of the Council's key considerations are either dealt with in the OBC or will be the subject of further detailed work in the FBC. The Council is properly

represented in the working groups and at the Freeport Board so this report recommends that Policy Committee gives support, in principle for the OBC by endorsing its content and submission and receives a separate report to consider the FBC. Assuming the FBC is submitted on 12 November 2021, it may be necessary to bring forward the December meeting of Policy Committee to accommodate that timetable. That decision can be made when the Government provides feedback on the OBC.

12. The Outline Business Case provides proposals on future governance. The proposed model is based on a non-constituted partnership body that is unincorporated. It is proposed that Leicestershire County Council will continue to play the role of lead authority and support the Freeport Board. The County Council will not cede any power or responsibility to the Freeport Board as it is currently proposed and will retain sovereignty over relevant powers. The Leader of the Council will continue as the Council's representative at the Freeport Board.
13. In January 2021, the County Council gave in principle support for the Freeport EOI. At that point the County Council reserved its position on the final proposition until such point that the Full Business Case is complete, this continues to be the case and our support remains non-binding.

### **Other Options Considered**

14. To not support the Outline Business Case submission, but this would prevent the benefits and opportunities outlined in the report from being achieved and utilised; the freeport will fail a key criteria in the Government assessment without ongoing support of key local authorities.

### **Reasons for Recommendations**

15. The reasons cited in the January 2021 report remain. In addition, now the Freeport has proceeded to the OBC stage, it is important that partners reaffirm support for the bid. In the case of the County Council, there are clear synergies between the Freeport and the work the Council leads on the East Midlands Development Corporation, HS2, STEP and its wider economic development and Covid recovery ambitions.

### **Statutory and Policy Implications**

16. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. The Council will continue to seek appropriate advice as each stage of the Freeport proposals emerge and will undertake any consultation as may be necessary and relevant to the stage and the issues involved.

### **Financial Implications**

17. There are no direct financial implications arising from the recommendations of this report. There is no financial contribution of resources required at this stage. If the OBC is successful, the County Council will work closely with local partners to develop the FBC. During that process, the County Council will have a role in shaping the financial and commercial case for the Freeport. It will then be a matter for a future Committee to consider the FBC, including any financial implications.

## **Implications for Sustainability and the Environment**

18. Core components of the East Midlands Development Corporation and Freeport bids are focused on enhancing natural capital, environmental sustainability and our journey to a zero carbon future. The proposition at Ratcliffe on Soar includes the 'ZERO' facility, bringing research, innovation and enterprise together with industry and investors on one site to accelerate the design and delivery of new zero carbon technologies and manufacturing. Similarly, the proposals at EM Intermodal Park and the Airport sites in the Freeport bid will include low carbon industries.

## **Public Sector Equality Duty implications**

19. The Freeport policy is clearly targeted at 'levelling up' and improving employment, productivity and prosperity outcomes in poorer performing regions of the UK. Given the impact of COVID19 on the economy, it is more important than ever that the region has an economic plan and programmes of activity such as the Development Corporation and the Freeport which would accelerate the creation of new higher value jobs, and provide access to skills and training so that local people can benefit from these new opportunities.

20. A key element of the emerging bid is a logic model that sets out how people across the region will benefit from the new jobs and prosperity and how any negative displacement effects will be mitigated and prevented.

## **RECOMMENDATIONS**

It is recommended that Policy Committee:

- 1) Endorses the current draft of the East Midlands Freeport Outline Business Case, which is an Exempt Appendix to the report.
- 2) Subject to due consideration of the final draft, delegates authority to the Corporate Director Place, in consultation with the Leader of the Council, to endorse the Outline Business Case, ahead of submission to Government by 10 September 2021.
- 3) Agrees to receive a further report to consider the Full Business Case and any implications for the County Council, should the bid be taken forward by Government.

**COUNCILLOR BEN BRADLEY MP**  
**Leader of the Council**

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## **Constitutional Comments (HD – 24/8/2021)**

21. The decision falls within the delegation to Policy Committee. At this stage, the report confirms that the endorsement of the OBC is an important facet of the bid proceeding to the next stage but is ultimately non-binding on the Council. The impacts of a Freeport proposition will require more detailed consideration at the stage of submission of a full business case, should the initial proposition bid be successful. Currently it is understood that impacts may include changes to business rates and business rate retention arrangements within a Freeport area. If a separate legal entity is established for the Freeport then consideration of what that means for the Council will also be required at the FBC stage. Consideration will

also have to be given to any impacts on the Council's statutory roles and responsibilities. In the meantime, the Council's statutory functions in respect of planning, highways, economic development and transportation remain unaffected and the submission of the bid will not fetter the Council's discretion in exercising those functions in accordance with legislation, policy and guidance at a national and local level although if a Freeport is created such impacts may arise at that stage.

### **Financial Comments (KRP 24/8/21)**

22. As set out in the report, there are no direct financial implications at this stage. There are potential financial implications arising from Business Rates decisions and any interaction with the Development Corporation proposals. The financial implications of these and of the full business case will be included in the future report to Policy Committee.

### **Background Papers and Published Documents**

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- Freeport Bidding Prospectus
  - a. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/935493/Freeports\\_Bidding\\_Prospectus\\_web\\_final.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/935493/Freeports_Bidding_Prospectus_web_final.pdf)

### **Electoral Divisions and Members affected**

- All