

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

### **SUPPORTING A BID FOR AN EAST MIDLANDS FREEPORT**

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

1. Aligned to the East Midlands Development Corporation, partners in the region are bidding for a Freeport that will bring additional powers and tools to improve the economy as we build back better from COVID-19. This report seeks Committee approval for the Leader to sign a letter of support for the bid.

#### **Information**

2. In February 2020, the UK Government launched a consultation on creating up to 10 Freeports with special tariff and duty status to fuel economic growth, 'level up' underperforming regions, and promote innovation and regeneration.
3. In late November 2020, the UK Government launched the Freeport bidding prospectus giving further details on the UK Freeports model and setting out how bidders can apply for Freeport status in England.
4. Working through the Alchemy Board and the East Midlands Development Corporation, the Local Enterprise Partnerships for Derby, Derbyshire, Nottingham, Nottinghamshire, (D2N2 LEP) and for Leicester & Leicestershire (LLEP) have coordinated the development of a Freeport.

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

5. Freeports are a type of special economic zone. As with other economic zones, they are designed to create a favourable business environment which attracts inward investment and international trade to support jobs and growth.
6. 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.
7. 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 the benefits and incentives within the policy.

8. In addition to the customs and tariff benefits Freeports will also be able to access significant tax benefits, including Business rates relief and the ability for local areas to retain business rates to reinvest into their local communities.
9. Support will also be provided by the Government to successful bidders to contribute towards infrastructure costs and facilitate planning to create an environment to attract investment into the Freeport area and create jobs and growth.

### **East Midlands Freeport Bid**

10. The East Midlands has a once-in-a-generation opportunity to supercharge its economy with a landmark opportunity of national and global significance. The Freeport, together with proposals for the Development Corporation, would drive a '30-year leap' in development and productivity.
11. In response to the Government's prospectus, the East Midlands is developing a compelling proposition based around East Midlands Airport 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. There are clear interdependencies between the Freeport and Development Corporation, although the Intermodal Park site is not currently within the Development Corporation programme; this will be subject to further discussion between local partners and Government.
12. The region's bid has the support of Councils, Local Enterprise Partnerships, Universities, the Midlands Engine, partners for the emerging Development Corporation and private sector business representatives including the relevant land owners.
13. The East Midlands bid has distinct advantages that make it an ideal location for a Freeport, these are set out in the following paragraphs.
14. The East Midlands region is well-known for its strong manufacturing base. Advanced manufacturing and engineering are strong historic sectors for the regional economy, built on many years of innovation and manufacturing expertise.
15. The region is home to large global automotive, aerospace and rail manufacturers and engineers including Toyota, Rolls Royce and Bombardier. Key specialisms include transport technology, energy and low-carbon technologies.
16. The East Midlands is one of the best locations in the UK for logistics operators. Due to its central location and proximity to the motorway network, it is one of the strongest locations for third-party logistics (3PLs), retailers and parcel delivery companies to locate their warehouse operations.
17. The East Midlands offers Freeport operators and manufacturers locational advantage with over 90% of the population and the nation's seaports within a 4 hour drive, as well as dedicated rail freight connectivity, and having the country's leading cargo airport on-site. East Midlands Airport is the UK's largest dedicated freight airport and the seventh largest in Europe giving businesses access to international markets beyond the European Union, including North America, Latin America and the Caribbean, Asia, and the Middle East. Home to the world's largest cargo handlers, EMA is the only site of its size with unrestricted 24hr operation and with the capacity to grow.

18. The East Midlands region is home to world-class universities and centres of research excellence with over £650m of active research projects currently ongoing. Universities such as the University of Nottingham, Loughborough University, Nottingham Trent University, Leicester University, the University of Derby and De Montfort University are shaping regional development initiatives aimed at boosting innovation within high-value industries and providing upskilling opportunities. Innovation is a key consideration in the Government prospectus for Freeports.
19. A further requirement of a Freeport bid is to set out the opportunities for green growth and zero carbon. Several initiatives are already in development by both LEPs and the East Midlands Development Corporation, which position our bid well in terms of demonstrating how we meet this requirement. Our world-class transport manufacturing businesses such as Rolls Royce, Toyota and Bombardier are leading projects to reduce the carbon footprint of their businesses and supply chains and to future proof their operations through adopting green technologies. Replacing the coal-fired electricity plants also provides an unprecedented opportunity to spearhead a new, ambitious zero-carbon energy zone at Ratcliffe-on-Soar that can be a showcase to the rest of the country. It has the scope to encompass large scale clean hydrogen generation and distribution; energy from waste; a Gigafactory for low carbon vehicles; training facilities supporting a range of low carbon sectors; and hosting the flagship national research centre for Integrated Zero-Carbon Futures.
20. Government Freeport policy is aimed at upskilling local workers who are vulnerable to technological change or who currently lack the skills to access high-value jobs. This is a key issue and a significant challenge in the East Midlands. Given the scale of the East Midlands Freeport, local plans focus on multi-sector skills, e.g. construction, engineering, energy and manufacturing.

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

21. Since the Government published the prospectus, partners have been developing our regional bid. The County Council is a member of a working group and a weekly steering group of Chief Executives to drive forward the bid. At the time of publication, the final details of the East Midlands Freeport Bid have not been completed. In order to offer support, the County Council will need to consider a number of factors set out in this section.
- **Infrastructure:** Infrastructure requirements in Nottinghamshire focus around the Ratcliffe on Soar site. The emerging bid is complementary to the East Midlands Development Corporation bid and infrastructure requirements are expected to focus on the movement of goods between the sites by highway and railway. The County Council will remain the Highway Authority and work alongside Highways England, Network Rail and local partners to develop the wider infrastructure components of the Freeport bid. An update will be presented to the Policy Committee meeting and considered in determining the County Council's support for the bid.
  - **Planning:** There are a range of implications specifically for Local Planning Authorities arising from a Freeport bid. These focus on the need to create an appropriate planning environment to ensure the quick and efficient delivery of the Freeport proposal. These issues are being addressed by the 3 relevant Local Planning Authorities, with input from the 3 County Councils from a highways and infrastructure perspective. There are no impacts on the County Council's highways authority responsibilities at this stage.

- Business rates and financial implications: Section 151 Officers and Chief Executives are working through both the opportunities and implications of provisions in the Freeport prospectus for the treatment of Business Rate relief, uplift and recycling. Much like an Enterprise Zone, billing authorities will have the scope to retain business rates and recycle receipts, including for borrowing to fund infrastructure or other upfront costs. Government anticipate that Business Rate relief will be available for the successful sites from October 2021 to September 2026 which acts as a further incentive for inward investment. The shape of the East Midlands bid in respect of Business Rates remains under development, updates will be provided to the Policy Committee meeting and will be a key consideration in determining the County Council's support for the bid.
- Economic benefits – levelling up – ensuring benefits for people across County. The East Midlands Development Corporation proposals, which currently cover 2 of the 3 Freeport sites, set out how 84,000 new jobs will be generated in the region and c£5bn additional GVA. The economists supporting the Freeport bid continue to assess the positive additional benefits that the Freeport could bring. It is anticipated these will include increased certainty, acceleration of delivery (earlier achievement of new jobs and productivity) and increases in the number of new jobs and additional GVA. An update will be presented to the Policy Committee meeting and considered in determining the County Council's support for the bid.

22. The initial bid requires the support of all local Councils impacted by the Freeport in order to be considered by Government. In the East Midlands this includes Derbyshire County Council, South Derbyshire District Council, Leicestershire County Council and North West Leicestershire Council, Nottinghamshire County Council and Rushcliffe Borough Council. Similar reports are being considered by each Council ahead of providing letters of support; Rushcliffe Council approved its support in principle in December. The Alchemy Board – part of the Development Corporation governance will also consider the bid, alongside others that might emerge in the region in late January.

23. At this stage the bid does not have to provide detailed proposals on governance. The County Council will continue to work with the Development Corporation, the LEPs and partner Council's as well as the key land owners to develop governance proposals as part of the full business case, should our initial bid be successful.

24. The bid will be submitted to MHCLG on the 5th February. Should it be successful at that stage, Government (revenue) financial support will be provided to local partners along with seed capital funding, so that a full detailed business case can be prepared for final appraisal by Government. Policy Committee will also be invited to consider the full business case and assess any implications for the County Council, including financial and other statutory impacts. The County Council reserves its position on the final proposition until such point that the full business case is complete. The letter of support will be non-binding.

### **Other Options Considered**

25. To not support a bid, but this would prevent the benefits and opportunities outlined in the report from being achieved and utilised; the bid will fail a key criteria in the Government assessment without the written support of key local authorities.

## **Reasons for Recommendations**

26. The East Midlands bid presents a unique opportunity to develop an inland Freeport. This is a proposal that can't be replicated anywhere else in the country and is one that will deliver for the national economy, not just the East Midlands region.
27. A Freeport in the East Midlands would encourage and accelerate inward and foreign direct investment in key sectors such as manufacturing and logistics. This could unlock opportunities for regeneration, boost productivity, promote innovation, and improve the region's economic resilience and recovery process.
28. A Freeport in the East Midlands would support regeneration and the 'levelling up' agenda. A Freeport would provide new job opportunities for underserved communities in the region, fast-tracking economic growth.
29. A Freeport in the East Midlands would also help increase productivity through localisation effects and by delivering new infrastructure. A Freeport can also support industrial diversification, which can enhance the region's economic resilience.

## **Statutory and Policy Implications**

30. 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. Appropriate consultation has been undertaken and advice sought on these issues as required

## **Financial Implications**

31. 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 initial bid is successful, the County Council will work closely with local partners to develop the full business case. 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 Policy Committee to consider the full business case, including any financial implications.

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

32. 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**

33. 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.

34. 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) Subject to the delegation and considerations below, endorses the submission of a Freeport Proposal to Government for the East Midlands, including sites within Nottinghamshire;
- 2) Delegates authority to the Corporate Director Place, in consultation with the Leader of the Council, to give consideration to the Finalised Freeport Proposal and, subject to the proposal identifying potential benefits for businesses and people across Nottinghamshire (and advice being provided outlining any currently identifiable risks or negative impacts on the Council's statutory functions, finances or other risks), to approve submission of a formal letter of support for the proposal from the County Council signed by the Leader;
- 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 MRS KAY CUTTS MBE**  
**Leader of the Council**

**For any enquiries about this report please contact: Adrian Smith, Corporate Director Place.  
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### **Constitutional Comments (SR 4/1/21)**

35. The decision falls within the delegation to Policy Committee. 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. 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 4/1/21)**

36. As set out in the report, there are no direct financial implications at this stage. The financial implications of the full business case will be included in future reports 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  
[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