



**Council**

**Thursday, 26 May 2022**

**Endorsement of the Borough Council's role in the East Midlands Freeport**

## **Report of the Chief Executive**

**Cabinet Portfolio Holder for Strategic and Borough Wide Leadership,  
Councillor S J Robinson**

### **1. Purpose of report**

- 1.1. In March 2021, the Government announced that the East Midlands had been identified as one of the eight sites in England chosen to progress to the next stage of the Freeport process. Since then, much work has been undertaken to develop and submit the Outline Business Case (10 September 2021) followed by the Full Business Case (14 April 2022).
- 1.2. This report follows the report to Cabinet in February 2022, when endorsement for the Full Business Case (FBC) was provided. At that stage some information remained outstanding but delegated authority was granted to the Leader, Chief Executive and S151 Officer to agree the final version.
- 1.3. The Freeport is due to be incorporated and as such the Borough Council must have a nominated Director for the Freeport Company. This is recommended to be the Leader of the Council.

### **2. Recommendation**

It is RECOMMENDED that Council:

- a) approves the Council joining the Freeport company (East Midlands Freeport) to be incorporated 1 June 2022 and in doing so entering into the Members Agreement; and
- b) approves the Leader of the Council to act as a Director of East Midlands Freeport.

### **3. Reasons for Recommendation**

The East Midlands Freeport (EMF) (including the Ratcliffe on Soar power station site) has the potential to attract investment and spur local and regional economic growth, as well as enhancing international trade. This means new jobs and associated infrastructure to benefit our local residents and communities. It should also mean, when developed alongside proposals for the East Midlands Development Company, accelerated delivery of a soon to be

largely redundant site in the Borough. The Freeport is set to become an incorporated body and as such will need to have Directors appointed. The Leader is recommended to be the Director for Rushcliffe Borough Council.

#### **4. Supporting Information**

- 4.1. 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.

#### **Full Business Case**

- 4.2. Following submission of the Outline Business Case (OBC) in September 2021, the East Midlands Freeport were invited to submit an FBC to Government. The previous timeline for this was submission by the end of January 2022. However, due to delays from Government they extended this deadline to the 14 April 2022.
- 4.3. The FBC is commercially sensitive and includes detailed chapters and appendices. It follows the model of the Treasury Green Book business case having five cases included: Strategic, Economic, Financial, Commercial and Management. Some of the high-level detail from the FBC is set out in the following paragraphs.
- 4.4. The EMF is the only airport-centred, inland Freeport in England. EMF is based around three core and complementary sites; the East Midlands Airport and Gateway Industrial Cluster (EMAGIC), Uniper's Ratcliffe-on-Soar power station site, and the East Midlands Intermodal Park (EMIP).
- 4.5. Development of the EMF Freeport will allow for:
- Freeport tax and customs sites connected by rail to all coastal Freeports, being a unique opportunity to deliver connectivity between Freeports and to deliver them rapid access to global markets via the airport;
  - Development of a new breed of innovative businesses across target sectors in the area through Freeport levers, local clustering effects, and synergies with regional initiatives such as East Midlands DevCo and Midlands Engine to deliver a world-leading advanced manufacturing and logistics hub, forecast to create over 61,000 new jobs in the wider region; and
  - Innovation and skills growth in the area to nurture and develop new technologies such as clean energy generation and sustainable aviation fuel, supporting the UK Government's Net Zero ambitions.
- 4.6. Seed capital of up to £25m is available from Government to support the initial costs of freeports. In the EMF it is proposed this will be used towards:
- Connecting road infrastructure on the EMIP site;
  - Cycle routes – to connect EMF sites to surrounding towns;
  - Customs site inventory and operating system;

- Connecting road infrastructure on the Ratcliffe site – upgrades to the existing access site from both East (West Leake Lane) and West (Parkway junction) via localised road widening and roundabout enhancements;
  - South site preparation at Ratcliffe; and
  - A Hydrogen Skills Academy.
- 4.7. The major financial advantage is that the Freeport retains 100% of the growth in business rates, which includes the 50% that is currently received by central government. The principle of 'no detriment' is agreed with the expectation that the authorities involved will still receive their 50% share in future business rates growth. Business rates retention will enhance and accelerate regional development by increasing the funds available to rate collecting authorities and managing authorities to reinvest in the EMF area and surrounding Travel to Work Area. These funds will underpin the EMF Board's investment in connectivity and skills. Objectives for the retained business rates have been agreed by the Board, these are:
- Acting as the catalyst for EMF and regional connectivity;
  - Developing a world class regional skills base;
  - Turbocharging productivity and stimulating innovation across EMF target sectors; and
  - Setting up the EMF for success.
- 4.8. Any application for retained business rates will undergo a two phased process; a gateway review which will look at areas such as location, costing/phasing information, stakeholder engagement etc. This will be followed by a project assessment which will be presented to a relevant sub-committee and then presented to the Board with a recommendation.
- 4.9. Based on high level modelling the EMF is expected to generate an estimated £0.89bn in additional business rates over 25 years (after deductions by the local authorities in recognition of the 'no detriment' agreement). This is set out in detail in the FBC Financial Case which includes details around specific projects that will be funded by business rates.
- 4.10. Support for the UK Government's Net Zero goals are at the heart of the EMF value proposition, and the EMF Board are fully committed to:
- Supporting clean growth and sustainable investment in the wider region; and
  - Ensuring businesses in EMF customs and tax sites are delivering on ambitious emissions targets, ahead of the 2050 Net Zero target pioneered by the UK Government.
- 4.11. The potential for incorporating a body for EMF has been discussed extensively at Board level with agreement now taken to work towards incorporation. This will limit the liabilities for any member (including Rushcliffe Borough Council). The constitution will be based on the Interim Board's Terms of Reference, but will also set out:

- Scope and objectives of the EMF Board, including what matters fall outside the arrangement;
  - Expectations of members including a commitment to adhere to the constitution;
  - A proposed duration for the operation of the Freeport and extension provisions;
  - Terms of membership, including who can be a member and how membership can be terminated;
  - Holding of membership meetings;
  - The arrangements around the use of retained business rates;
  - The ability for the EMF Board to create rules;
  - Contractual approval authority and who the contracting party will be on its behalf; and
  - Board, membership, and Lead Authority reserved matters.
- 4.12. Government ministers have stressed the importance of clear alignment between the Development Corporation and the Freeport and plans are in place to deliver this.
- 4.13. Detailed stakeholder management and communications strategies are included within the FBC.

## **5. Alternative options considered and reasons for rejection**

As part of the OBC and FBC, there is a requirement for consideration of alternative options and what this would mean at each of the sites. This includes scenarios for a do-nothing option and also for options with differing levels of financial and resource intervention.

## **6. Risks and Uncertainties**

- 6.1. There is a risk that the Freeport does not get formal status following the submission of the Full Business Case. The formation and incorporation of the Interim Vehicle for the East Midlands Development Company (EMDC) provides the capability and means for joint work with the landowner to progress planning in conjunction with the Freeport proposals that would help mitigate the risk of the Freeport not getting formal status. Regular dialogue is being maintained with Government and all local partners (public and private) have endorsed the FBC and so it is hoped that the business case will be successful.
- 6.2. There is a risk that the Ratcliffe on Soar site remains undeveloped following its decommissioning; however, the work being done now on exploring different options and working closely with a number of partners, including EMDC can mitigate this risk.
- 6.3. Incorporation means that financial contributions may be sought from the partners involved. In such a scenario the anticipation is that any payments are refunded from future Freeport business rates and in any case a separate report would be required if such contributions sit outside of current budget parameters.

- 6.4. Going forward there is inevitable uncertainty in terms of both the costs of the programme, given significant planning considerations; and the business rates income streams, which will be dependent on the type of businesses that occupy the site. The Board and the Section 151 Officers of the respective councils will continue to monitor such risks going forward.
- 6.5. Cash flow risk and the timing of developments. If a large and beneficial infrastructure project is identified early in the life of the Freeport, then sufficient business rates may not have been received to fully fund this. It is anticipated in this scenario that Freeport, as a separate legal entity, would borrow in advance of business rates receipts, with capital and interest repaid out of ongoing business rates. PWLB funding would be a preferred route in such a scenario to keep such costs low if allowable (or funding from a local authority). Given the size of projects within the Freeport, RBC does not anticipate borrowing, and in any case separate approvals would be required to accord with the Council's Capital and Investment Strategy.
- 6.6. Businesses on the site will receive business rates relief for five years (this is reimbursed via s31 grant). The constituent authorities are looking at a scheme which is consistently applied, and therefore fair, across the geographical area of the Freeport and accords with Freeport guidance.

## **7. Implications**

### **7.1. Financial Implications**

There are no direct financial implications from this report. Further technical work has been undertaken to inform the Full Business Case around business rate baselines and 'no detriment' to ensure this approach works for all stakeholders.

### **7.2. Legal Implications**

7.2.1 The structures and frameworks governing the Freeport model are complex. However, the risks have been mitigated through the detailed work undertaken by the working group, where the final legal and governance structures have been developed.

7.2.2 The position regarding the uncertainty of potential obligations for the Council including the potential for the allocation of public funds has been resolved by a loan arrangements between the Freeport company and the Lead Authority and have been incorporated into the governance arrangements.

7.2.3 The FBC outlines the EMF operating model required to deliver the activities of the Freeport. The Delivery Phase governance structure is centred around the EMF Board. It is proposed that the EMF board be incorporated. The key attributes of the Delivery Board are:

- The Board shall have a maximum of 13 Directors. At the outset there shall be 13 Directors, comprising a balance of:

- Up to six Private Sector Directors (drawn from Landowners, the Principal Port, and other Private Sector Members; and
- Up to six Public Sector Directors (drawn from the Lead Authority and the Public Sector Members), plus an independent Chair.

7.2.4 As previously approved by Cabinet in November 2021, the Council is progressing a Local Development Order (LDO) for the Ratcliffe on Soar power station site, working with the site owner. An LDO would grant planning permission for the site’s development, subject to any conditions applied to the order. In accordance with East Midlands Freeport and East Midlands Development Corporation aspirations for the site, the LDO would allow for the creation of a multi-use employment complex with a low-carbon energy focus.

7.2.5 In supporting the East Midlands Freeport, the Council does not fetter its discretion or delegate any of its statutory powers as the local planning authority, as applications will be subject to consideration and determination in accordance with National and Local Planning Policy and the Council’s scheme of delegation.

### 7.3. Equalities Implications

Inclusive growth is a key theme in the proposition, and the Government’s intentions for its Freeport Policy, ensuring that, as far as possible, the Freeport brings benefits for all; levelling up the national economy and as well as creating jobs, with the focus on the quality, as well as the accessibility of those jobs.

### 7.4. Section 17 of the Crime and Disorder Act 1998 Implications

There are no crime and disorder implications associated with this report.

## 8. Link to Corporate Priorities

Quality of Life	The Freeport has the potential to benefit local residents’ quality of life through the provision of new jobs, open space, and green infrastructure
Efficient Services	
Sustainable Growth	The development of Ratcliffe on Soar power station through the Freeport could attract a significant number of new businesses and a maximum of 20,000 jobs (depending on what sites and development comes forward)
The Environment	The transformation of Ratcliffe on Soar power station from the production of coal-fired energy to other more sustainable forms of energy including Research and Development into clean energy will help the region’s plans to become carbon neutral and then net zero.

## 9. Recommendation

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- b) approves the Leader of the Council to act as a Director of East Midlands Freeport.

<b>For more information contact:</b>	Catherine Evans Service Manager Economic Growth and Property 0115 914 8552 <a href="mailto:cevens@rushcliffe.gov.uk">cevens@rushcliffe.gov.uk</a>
<b>Background papers available for Inspection:</b>	Report to Cabinet on 8 December 2020 Report to Cabinet on 11 May 2021 Report to Cabinet on 14 September Additional appendices to FBC including project plan, risks and issues register, SWOT analysis and supporting letters from stakeholders. Report to Cabinet on 8 February 2022
<b>List of appendices:</b>	None