



**Cabinet**

**Tuesday, 8 December 2020**

**East Midlands Freeport**

## **Report of the Chief Executive**

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

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

- 1.1. In February 2020, the Government launched a consultation to inform a future Freeports Policy. A formal response was submitted on behalf of the East Midlands region which was developed by a working group of key local stakeholders including Rushcliffe Borough Council and led by the D2N2 Local Enterprise Partnership (LEP) and Leicester and Leicestershire LEP, supported by a consultant team.
- 1.2. The Government has released its response to the consultation and on 17 November 2020, released the Freeport prospectus. Government has invited bids from local areas for Freeports. There will be a maximum of 10 across the country. The consultant team and working group have developed the proposition for an East Midlands Freeport to be submitted to Government. This proposition includes the Ratcliffe on Soar power station site. This report seeks to gain Cabinet's endorsement of the East Midlands Freeport proposition.

#### **2. Recommendation**

It is RECOMMENDED that the Cabinet:

- (a) endorses, in principle, the submission of a Freeport proposition paper to Government for the East Midlands to include the Ratcliffe on Soar power station site; and
- (b) approves the Leader providing a commitment of the Council's support and agreement to the proposed Freeport for those areas for which Rushcliffe has statutory responsibility including planning and business rates to support the delivery of the proposal. As Ratcliffe on Soar power station is not currently an allocated site within the Local Plan and the whole site is washed over by the greenbelt, the letter will give the Council's support for the Freeport bid in this context, whilst not fettering its discretion and statutory duties as the local planning authority.

### **3. Reasons for recommendation**

The Freeport for the East Midlands (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, developed alongside proposals for the Development Corporation, accelerated delivery of a soon to be largely redundant site in the Borough.

### **4. Supporting information**

- 4.1. Freeports are a type of special economic zone. As with other economic zones, they are designed to create a favorable business environment which attract inward investment and international trade. Within Freeports, trade is facilitated by reducing the direct and administrative costs of trading goods with the rest of the world. Goods entering a free 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.
- 4.2. This does not, however, imply that the activities carried out within the Freeport are exempted from other regulatory requirements of the host country for example employee rights or health and safety.
- 4.3. The aims of the zone are to sustain and boost competitiveness by making the customs procedures simpler for firms within the zone, and delaying the point at which they have to pay duties; therefore, enhancing cash-flow.
- 4.4. In the case of the East Midlands, the two sites to be included in a Freeport proposal are East Midlands Airport and Ratcliffe on Soar power station. The sites, although not adjacent, would operate as one port. As Cabinet will be aware, these are also two of the three sites included in the Development Corporation proposals. Therefore, the proposition for an East Midlands Freeport is being developed to align with the proposals for the Development Corporation.

#### **Government consultation on Freeport Policy**

- 4.5. The Government Consultation, launched in February 2020, on Freeports set two broad policy objectives: regeneration and innovation. The Government seeks to 'level up' the country's most deprived areas, delivering high skilled job opportunities for people in underperforming regions. Moreover, the UK Government also wants to encourage innovation by using Freeports as platforms for innovative business clusters.
- 4.6. The East Midlands Freeport consultation response submitted in July 2020 was comprehensive and developed in partnership with the public and private sector including RBC and Uniper (owners and operators of the Ratcliffe on Soar power station site). It included some key messages for Government including:

- Freeports attract investment and spur local economic development;
  - Multimodal Freeports can enhance international trade;
  - Appropriate governance structures are critical to ensure the success of Freeports;
  - Local support is essential to build consensus around Freeport sites;
  - Freeports can and should be hotbeds for innovation; and
  - Freeports in the East Midlands context - the success of Freeports will largely depend on site selection. Priority should be given to areas that are struggling to 'level up'; but have an appetite for growth. This is particularly the case for a highly connected, and outwardly facing region such as the East Midlands region, where labour productivity is lagging despite having employment levels in line with the UK.
- 4.7. Of particular interest for RBC are the planning implications of the designation of a Freeport for any or all of the Ratcliffe on Soar site. As part of the package of incentives for Freeports one example is a simplified/expedited planning process. Examples mentioned in the consultation include the use of local development Orders. These are used to establish a clear framework for development in an area/on a specific site. Another option referred to is permitted development rights in line with the operation of a Freeport. This currently exists at East Midlands Airport<sup>1</sup>, the other proposed site for the East Midlands Freeport.
- 4.8. Since the consultation closed, Government launched its Planning for the Future consultation; this is linked to the Freeport consultation and may bring further benefits to the development of Government's Freeport offer.
- 4.9. The East Midlands consultation response covered the issue of displacement, it suggested that cost-benefit analysis should compare the projected investment stimulated by a policy against a business-as-usual. Such an analysis must consider how much of the investment would have gone ahead without the Freeport, either in a different UK location (displacement) or at the same site (deadweight). It went on to say that it is important to note that displacement is not necessarily bad. National displacement is inevitable if the Freeport Policy is to achieve ambitions around clustering, innovating regeneration and levelling up. The challenge will be associated with ensuring that local (and regional) displacement remains as low as is possible.
- 4.10. To minimise the risk of displacement the Freeport should target areas with capacity in the local labour market, where new employment opportunities can be created through the Freeport Policy. Furthermore, benefits could be targeted specifically to businesses which may otherwise choose not to invest, or to invest outside of the UK, as opposed to generic benefits.
- 4.11. The Government issued its [response to the freeport consultation](#) in October 2020, and a summary of the key points can be found at Appendix A:

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<sup>1</sup> East Midlands Airport already benefits from relatively significant permitted development rights under Part 8 (Transport Related Development) of Schedule 2 of the Town and Country Planning (General Permitted Development) (England).

- The Freeports consultation proposed a brand-new, bespoke Freeport model, with a comprehensive package of measures designed to boost trade, employment and innovation.
- Overall, respondents welcomed the ambition of the proposals, the emphasis on local economic geography and regeneration, the flexibility of the customs model, and the focus on innovation.
- Ports and businesses shared how Freeports could contribute to their sector's success and future growth potential, while many local authorities and public-sector bodies were optimistic about the potential of Freeports to help transform local economies.
- However, some respondents, including several non-government organisations and individuals, expressed views about potential negative impacts on areas including port security, safety, workers' rights and the environment. Some respondents also expressed views around economic displacement – particularly in deprived areas – and the risk of Freeports being used for tax evasion or money laundering.
- Currently the government is proposing that where there are non-contiguous sites included in a Freeport proposal (as is the case in the East Midlands) the tax benefits would be reserved for only one site, other sites would be customs sub zones. The prospectus which has now been issued however states; *Bidders should aim for a single tax site to benefit from the tax offer. However, where there is an economic case to do so, they may define up to 3 single, individual areas as the location of the tax sites.*

4.12. The Government's Freeport prospectus and call for sites was released on 17 November 2020. The deadline for responses is 5 February 2021, MHCLG will then assess bids with a decision made in Spring 2021.

4.13. The prospectus places a requirement on local authorities to endorse the bids with a letter which must:

*Be signed by the Leader of each local authority that is responsible for planning and business rates collection in whose area any of the proposed Freeport sites will sit. This letter should commit their full support and agreement to the proposed bid specifically those areas for which they have statutory responsibility including planning and business rates to ensure the delivery of the proposal.*

4.14. As Cabinet will be aware the Ratcliffe on Soar power station is not currently an allocated site within the Local Plan and the whole site is washed over by the greenbelt. It is proposed, therefore, to give the Council's support for the Freeport bid whilst not fettering its discretion as the local planning authority.

### **The Freeport Proposition**

4.15. The intention is to submit a Freeport proposal for the East Midlands to Government. The proposition paper for a Freeport is currently being worked on by Vivid Economics who have been appointed by D2N2 LEP on behalf of all

members of the Freeport Working Group. This will help to shape and inform any future submission to Government.

- 4.16. Vivid Economics is engaging with private landowners to assess the redline boundaries of a potential Freeport in the East Midlands. The objective is to understand current site use, planned investments, and appetite for future development. Through these stakeholder engagements, Vivid Economics has been able to assess several sites that could benefit from the designation of a Freeport, bringing forward land that could encourage investments and deliver significant economic benefits to the region. This includes the Ratcliffe-on-Soar power station site, which is planned for closure in 2025.
- 4.17. The site extends to a total area of 273 hectares, which is divided by the A453. The East Midlands Parkway Railway Station is situated immediately adjacent to the site. The power station is also under two miles away from Junction 24 of the M1 and is in proximity to the East Midlands Airport and the Segro East Midlands Gateway Logistics Park.
- 4.18. Within the site, there are approximately 154 hectares of potentially developable land which could be available for a Freeport, which includes plots where the coal station currently sits. The plant, however, is due to close at the end of 2025, with decommissioning works starting in 2026, at the latest. Development at the northern part of the site is therefore partly restricted to the decommissioning timeline. However, there is an opportunity to more rapidly develop several plots in the north site and fully develop the area in the south of A453, subject to planning permission.
- 4.19. The proposition for the site is currently still being worked on and elements of it are commercially sensitive, therefore, no further details can be provided at this stage. Vivid Economics will continue working with key stakeholders, including the Borough Council, to finalise a proposition paper that assesses the economic impacts of a Freeport in the East Midlands.

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

The Freeport proposition is being developed by Vivid Economics who, as part of their modelling of the site, have considered a number of different options for the development of sites. The one which will be presented to Government will be the one which has the opportunity to yield the greatest benefit for all.

## **6. Risks and uncertainties**

- 6.1. There is a risk that the Freeport and the Development Corporation develop as two separate propositions and so do not deliver coordinated development on the site. However, there are already strong links between the work streams and this would be maintained as the work progresses.
- 6.2. There is a risk that a landowner or key local stakeholder chooses not to progress to bid stage which would put at risk the whole proposal for the East Midlands.

## **7. Implications**

### **Financial implications**

- 7.1. A budget of £10,000 was allocated from Rushcliffe's Strategic Growth Board fund for the commissioning of the consultants (Vivid Economics) for their work on the consultation response and the proposition. This cost was split equally between the organisations involved in the Freeport Working Group.
- 7.2. There are a number of incentives for businesses associated with Freeports; however, it is understood that these are funded by Government and so not a cost to the local authority.

### **Legal implications**

- 7.3. If the East Midlands Freeport is given approval by Government, a governance arrangement would be required. The details of this are yet to be developed, but it is expected that this would align with the Development Corporation.
- 7.4. Planning matters will be considered in accordance with the Council's constitution. However, Council can decide (by resolution) to apply a Local Development Order ("LDO"). A LDO would grant permission for development of the nature specified in the Order as permitted development, subject to the criteria within it which must be met. In considering and making a LDO, Council would apply the "very special circumstances test" as the area falls within the greenbelt. If resolved, the LDO would therefore permit development in the area without further planning submissions or consideration of greenbelt. This is not a consideration or recommendation of this report.
- 7.5. In supporting the bid proposal, the Council does not fetter its discretion 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.

### **Equalities implications**

- 7.6. 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 the focus is on the quality as well as the accessibility of those jobs.

### **Section 17 of the Crime and Disorder Act 1998 implications**

- 7.7. 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	

## 9. Recommendations

It is RECOMMENDED that the Cabinet:

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- (b) approves the Leader providing a commitment of the Council's support and agreement to the proposed Freeport for those areas for which Rushcliffe has statutory responsibility including planning and business rates to support the delivery of the proposal. As Ratcliffe on Soar power station is not currently an allocated site within the Local Plan and the whole site is washed over by the greenbelt, the letter will give the Council's support for the Freeport bid in this context, whilst not fettering its discretion and statutory duties as the local planning authority.

<b>For more information contact:</b>	Kath Marriott Chief Executive <a href="mailto:kmarriott@rushcliffe.gov.uk">kmarriott@rushcliffe.gov.uk</a>
<b>Background papers available for Inspection:</b>	
<b>List of appendices:</b>	Appendix A - Summary of Government's Freeport Consultation response