

Title of Report	FREEPORT – CHANGE OF ACCOUNTABLE BODY	
Presented by	Councillor Tony Saffell Cabinet Member for Planning PH Briefed <input type="checkbox"/>	
Background Papers	<p>Council 18 June 2024 – East Midlands Freeport Update</p> <p>Cabinet 17 December 2024 – Appointment of East Midlands Freeport Representative.</p> <p>9 June 2025 - Incorporation of the East Midlands Freeport</p>	<p>Public Report: Yes</p> <hr/> <p>Key Decision: Yes</p>
Financial Implications	<p>The East Midland’s Freeport (EMF) received an initial government revenue grant of £2 million over two years to facilitate organisational setup; these funds have now been fully utilised. A further capital grant of £25 million was provided for seed corn investment across the sites. Of this, some funding has already been committed or spent, but approximately £17 million remains available, following initial funding requests which did not proceed due to changes in circumstances.</p> <p>In addition to government funding, Leicestershire County Council (LCC) extended a cash flow loan to EMF, with an upper limit of £4 million. The outstanding balance peaked at £2.6 million at the end of the last financial year, and repayment is anticipated before the Accountable Body Transfer is completed on 31 March 2026.</p> <p>EMF’s operating costs are currently funded solely through retained business rates. At present, these business rates are all sourced from the EMAGIC site in North West Leicestershire. Financial modelling by both EMF and LCC suggests that it will be several years before the East Midlands Intermodal Park (EMIP) site in Derbyshire and Ratcliffe begin contributing business rates that can be retained.</p> <p>As previously noted, around £17 million of the £25 million seed corn capital funding from government remains uncommitted. Proposals for the allocation of this funding,</p>	

	<p>together with use of surplus retained business rates over and above what is needed to cover operations costs will be subject to the established governance process, involving review by the Section 151 and public sector director subcommittees, before progressing to broader decision-making as described in the governance arrangements.</p> <p>EMF operates its own bank account and conducts monthly cash flow assessments, drawing down funds from LCC as required to minimise interest costs on the cash flow loan. Unspent seed capital remains held by the accountable body in line with Government requirements, with interest calculated at 1% below base rate to reflect zero investment risk and to cover the accountable body's fund management costs. A decision will be required following transfer on whether to maintain the current procedure, whereby EMF receives upfront funding for each month based on anticipated cash flow needs.</p>
	<p>Signed off by the Section 151 Officer: Yes</p>
Legal Implications	<p>As set out in paragraph 2.0 of the report.</p>
	<p>Signed off by the Monitoring Officer: Yes</p>
Staffing and Corporate Implications	<p>At present LCC provides a financial business partner role to manage financial arrangements and report to the Board. East Midlands Combined County Authority (EMCCA) will need to make provision within its own operations to take on this role from 1 April 2026.</p> <p>EMF currently has 13 staff, with plans to grow to 15. All employees are contracted with EMF Ltd and there will be no change of status after the Accountable Body transfer, so there are no Transfer of Undertakings (Protection of Employment) Regulations Employment (TUPE) considerations required.</p> <p>EMF receives support services from LCC. These include Human Resources advice, procurement advice, insurance brokerage, finance business partner role, ICT software and equipment, legal and democratic services. EMF is also currently hosted in LCC premises. EMF is considering plans to change suppliers for services and to move office location, but LCC has confirmed that it will continue to provide all current arrangements until EMF is in a position to change. Therefore, any changes can be undertaken separately to the Accountable Body transfer, and EMCCA can monitor as appropriate in its role as Member and Accountable Body. The only exception is the Finance Business Partner role, which EMCCA will need to fulfil its role as Accountable Body.</p>

	Signed off by the Head of Paid Service: Yes
Purpose of Report	The purpose of this report is to seek Cabinet approval for the transfer of Accountable Body Status of the East Midlands Freeport (EMF) from Leicestershire County Council to EMCCA and for EMCCA with effect from 1 April 2026.
Reason for Decision	<p><i>The Chief Executive is the designated member representative of the EMF and has delegated authority to make decisions on the day to day activities of the organisation, taking into account the interests of North West Leicestershire.</i></p> <p><i>This proposal, however, changes the principles on which EMF was founded when it agreed to join the company. It is, therefore, appropriate for Cabinet to consider any changes to those arrangements.</i></p>
Recommendations	<p>THAT CABINET AUTHORISES THE CHIEF EXECUTIVE AS MEMBER REPRESENTATIVE OF THE FREEPORT TO:</p> <ol style="list-style-type: none"> 1) APPROVE THE TRANSFER OF ACCOUNTABLE BODY STATUS FOR THE EAST MIDLANDS FREEPORT (EMF) FROM LEICESTERSHIRE COUNTY COUNCIL (LCC) TO THE EAST MIDLANDS COMBINED COUNTY AUTHORITY (EMCCA) 2) AGREE TO EMCCA BECOMING A FOUNDER MEMBER OF THE EAST MIDLANDS FREEPORT. 3) AGREE ANY CHANGES TO THE GOVERNANCE DOCUMENTS THAT MAY BE NECESSARY TO ENABLE THIS TRANSFER TO TAKE PLACE IN ACCORDANCE WITH THE PRINCIPLES SET OUT IN THIS REPORT.

1.0 BACKGROUND

1.1 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.

1.2 EMF has twelve founding members - six corporate partners and six local authorities, each appointing a director to the Board. Local authority representation on the Board is typically by Leaders or portfolio holders. An independent Chair brings the total Board membership to thirteen.

- 1.3 One of the requirements of Freeport status is that an Accountable Body authority function is provided by a local authority. Leicestershire County Council (LCC) has been the Accountable Body of EMF since inception. The role of the Lead Authority/Accountable Body includes, but is not restricted to:
- Receiving funding on behalf of the East Midlands Freeport company and responsibility for its proper administration, ensuring that funding is used appropriately in accordance with the relevant legislation and applicable funding conditions and represents value for money in the use of public funds;
 - Maintaining financial systems to account for all funding received and disbursed on behalf of the East Midlands Freeport company;
 - Embedding good governance into decision making following the Nolan principles and the National Local Growth Assurance Framework;
 - Retaining necessary information and ensuring all required information on expenditure, activities and outcomes are properly monitored, recorded and reported;
 - Operating as a single point of contact for Ministry of Housing, Communities and Local Government (MHCLG) on all Lead Authority/Accountable Body matters in relation to the Freeport.
 - MHCLG stated in a letter dated 28 March 2025 that the Accountable Body status should transfer from LCC to EMCCA no later than two years after EMCCA's creation (i.e. by 28 February 2026).
 - An agreement with MHCLG has established that the change will take effect at midnight on 31 March 2026, streamlining implementation by aligning with accounting years and thereby minimising the impact on officer time and public resources required for group account preparation.
- 1.4 The UK Industrial Strategy (June 25) furthermore sets out a clear expectation that Freeports and Investment Zones are brought together at a local level to provide greater alignment and clarity of offer to end users and investors, under the banner of 'Industrial Strategy Zone' sites.
- 1.5 EMCCA has appointed a project manager to manage the Accountable Body transfer process and joint working has taken place with LCC and EMF to put in place the necessary transfer arrangements. A delivery plan is in place for the transfer of Accountable Body functions to EMCCA to be completed within the required timescales.
- 1.6 Government was clear that, with the establishment of EMCCA as a Mayoral Strategic Authority, it expected to see the Accountable Body role transfer to EMCCA in order to ensure stronger regional alignment. This report, therefore, seeks the necessary authority for the Chief Executive to vote in favour of the EMCCA to become the Accountable Body for EMF and sets out the issues and implications of such a transfer.

2.0 IMPLICATIONS FOR GOVERNANCE ARRANGEMENTS

- 2.1 There are three main agreements pertaining to Accountable Body Status that will require transfer from LCC to EMCCA. These are: The Accountable Body Agreement, the Memorandum of Understanding with MHCLG and the Retained Business Rates Agreement with LCC and the three relevant billing authorities. In addition, LCC is a signatory to grant agreements as Accountable Body. All agreements can be transferred (novated) from LCC to EMCCA.

- 2.2 The Accountable Body Agreement sets out key aspects such as the role and responsibilities of the Accountable Body, the time commitment required, procedures for reimbursement by EMF, and protocols for data sharing. However, the novation to EMCCA assumes that no modifications to the agreement will be sought.
- 2.3 EMF's governance includes several checks and balances, notably the Accountable Body's veto over the business plan and major financial decisions. While the Accountable Body cannot veto investments on policy grounds, it can exercise influence if concerns about value for money arise. This can include advising EMF and the Board, raising issues with MHCLG, or withholding signature and release of funds in line with public money/value for money principles. Such actions cannot be taken purely on the basis of policy disagreements or if the investment is outside the county.
- 2.4 The Agreement includes a table of reserved matters, which require approval from different groups: Founding Members, the Accountable Body (who hold veto power over certain decisions regardless of their Membership status), the EMF Board, Public Sector Directors, and Public Sector Members.
- 2.5 Most Board decisions require a majority from both public and private sector director blocs. Significant changes, such as alterations to governance, require unanimous approval from all Member organisations. Public funding decisions are initially considered by a Section 151 sub-committee, followed by a public sector director sub-committee, before being presented to the wider Board (private sector members) for strategic input. This process ensures a clear distinction between Board-wide decisions and those concerning the management of public funds.
- 2.6 EMF Members have only recently finalised the governance structure, and it is crucial that transferring the Accountable Body does not disrupt Freeport operations or its partnerships. There is therefore a strong preference to avoid major governance changes. With local government reorganisation set for 2028, which will significantly change the landscape and number of authorities in the area. Therefore, any adjustments now are very likely to need further revision within two years, lending weight to the argument to keep alterations to a minimum.
- 2.7 A decision is needed regarding EMCCA's Membership status before progressing with the transfer of the Accountable Body Agreement. There are two types of Membership available: Associate Membership and Founding Membership. Importantly, only Founding Members have the right to appoint a Director to the EMF Board. Admission of EMCCA as either an Associate or Founding Member will ultimately be determined by the EMF Members, through either a public/private majority vote or a unanimous decision, as appropriate.
- 2.8 EMCCA's preferred approach is for EMCCA to assume Accountable Body status and simultaneously seek Founding Membership within EMF. This path is preferred as it allows for the necessary transfer of responsibilities while limiting changes to the governance documents to administrative matters, thus preserving the integrity and stability of the existing arrangements.
- 2.9 Achieving Founding Member status would grant EMCCA the right to appoint a director to the EMF Board, ensuring a voice within the organisation's strategic direction. The addition of EMCCA as a member, however, potentially creates an imbalance between public and private members. If this is perceived to be an issue, then there is also an option to add a further private sector member to maintain the current balance.

- 2.10 An imbalance is also potentially created between EMCCA authorities and those outside the combined authority. This imbalance exists currently and has not been an issue to date. However, there may need to be some adjustment to voting rights in the finalisation of the agreement to offset this imbalance. Leicestershire County Council has requested consideration be given to an additional elected representative from Leicestershire being allocated a seat on the Board to match the EMCCA place. At the time of writing this report, however, this request has not been formally agreed.
- 2.11 Leicestershire County Council and North West Leicestershire District Council met with EMCCA representatives in early February to discuss the implications on the above imbalance. Assurances have been provided by EMCCA that the transfer of Accountable Body status from the County Council to EMCCA will not adversely affect Leicestershire Authorities. A copy of the letter received from EMCCA formally giving this assurance is attached at Appendix 1 to this report along with an advice note at Appendix 2. The advice note deals with some of the legal “guardrails” that exist to govern the role of the Accountable Body. For the most part these already exist, but there are further steps and assurances that the mayor has set out. The note provided sets out:
1. A description of the role of the Accountable Body
 2. An explanation of the Accountable Body's veto and extent of control of the Freeport
 3. Proposed further guardrails once EMCCA becomes the Accountable Body
 4. A statement from EMCCA on its responsibilities as Accountable Body.

3.0 FINANCIAL IMPLICATIONS

- 3.1 There are no direct financial implications for North West Leicestershire arising from the report. The three designated EMF sites offer substantial tax incentives for businesses choosing to locate within their boundaries. In addition to these incentives, there is provision for the retention of 100% of business rates generated at these sites, after allowing for the share retained by local authorities as part of the business rates equalisation mechanism ('no detriment').
- 3.2 This retention arrangement is set for a period of 25 years, with the retained business rates earmarked for economic development initiatives across the wider Freeport area. Such investments centre on priorities including skills enhancement, innovation, low carbon energy, and infrastructure development.
- 3.3 Proposals for the allocation of this funding, together with use of surplus retained business rates over and above what is needed to cover operations costs are subject to established governance process, involving review by the Section 151 and public sector director subcommittees, before progressing to broader decision-making as set out in the governance arrangements. Additional assurances on the allocation of funding to Leicestershire authorities has also been provided as part of the assurance letter outlined in paragraph 2.11 of the report.

4.0 WAIVE OF CALL-IN

- 4.1 The approval of the Chair of the Council has been given to the exemption of the Council's Scrutiny Procedure rules in relation to the call-in of the decision on this item, since any call-in would prejudice the ability of the Council to confirm the provisional direction on or before the 1 April 2026. The Chair has considered the timetable for confirmation and agrees that the matter before Cabinet is urgent for this reason.

Policies and other considerations, as appropriate	
Council Priorities:	<p>Insert relevant Council Priorities:</p> <ul style="list-style-type: none"> - Planning and regeneration
Policy Considerations:	None related to this report.
Safeguarding:	None related to this report.
Equalities/Diversity:	None related to this report.
Customer Impact:	None related to this report.
Economic and Social Impact:	<p>The three designated EMF sites offer substantial tax incentives for businesses choosing to locate within their boundaries. In addition to these incentives, there is provision for the retention of 100% of business rates generated at these sites, after allowing for the share retained by local authorities as part of the business rates equalisation mechanism ('no detriment').</p> <p>This retention arrangement is set for a period of 25 years, with the retained business rates earmarked for economic development initiatives across the wider Freeport area. Such investments centre on priorities including skills enhancement, innovation, low carbon energy, and infrastructure development.</p>
Environment, Climate Change and Zero Carbon:	None specifically related to this report.
Consultation/Community/Tenant Engagement:	None related to this report.
Risks:	<p>Reduced Direct Influence Over Freeport</p> <p>Governance As EMCCA becomes the Accountable Body, the Council's influence may become more indirect, especially as EMCCA will hold key consent rights and reserved matters. However, EMF cannot proceed without the Accountable Body's explicit consent. These are not discretionary powers but structural guardrails.</p> <p>The Council may have less ability to shape or challenge decisions that affect its area, particularly around investment priorities and risk exposure.</p> <p>Potential Imbalance in Investment Across the Freeport Geography</p>

	<p>The Council could receive a smaller share of retained business rates investment if regional priorities shift or if EMCCA's strategic oversight favours other areas. However, there are constraints on Use of Retained Business Rates. Although EMCCA controls the release of funds, it cannot direct how business rates are allocated—but it can delay or withhold release if assurance requirements are not met. EMF cannot access retained business rates, without passing through the Accountable Body's financial, assurance and reporting processes.”</p> <p>Strategic Misalignment with Local Priorities EMCCA will emphasise alignment with regional priorities such as skills, regeneration and low-carbon transition.</p> <p>The Council's local economic or planning priorities may not always align with EMCCA's regional agenda, potentially limiting flexibility.</p>
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