

East Midlands Freeport: Ensuring continued strong regional collaboration

Purpose

The purpose of this document is to outline the responsibilities, governance arrangements, and assurance processes pertaining to the East Midlands Combined County Authority (EMCCA) in assuming the role of the Accountable Body for the East Midlands Freeport, following the transition from Leicestershire County Council. It sets out the role of the Accountable Body, the extent of the control it has, and how EMCCA will safeguard public funds, comply with statutory and regulatory requirements, and facilitate effective collaboration between stakeholders to support the continued successful delivery of Freeport objectives.

Role of the Accountable Body

The Accountable Body is the organisation accountable to central government for the proper stewardship of public funds and the integrity of EMF governance. The role of the Accountable Body is codified under the DLUHC (now MHCLG) Memorandum of Understanding relating to the use by EMF of the MHCLG funding grant, the Seed Capital and the use of EMF RBR Funds (signed between the Accountable Body, East Midlands Freeport Ltd, and the three billing authorities), the Business Rates Agreement (signed by Leicestershire County Council and the Billing Authorities) the EMF Members' Agreement (signed by all parties referred to as Founding Members) and the Articles of Association (adopted by special resolution on 16 July 2025).

Its key functions are to:

- Act as the **accountable body for all government funding**, including Seed Capital expenditure, Capacity Funding and retained business rates, ensuring compliance with Managing Public Money, upholding procurement law practices and subsidy control requirements.
- **Monitor, report and provide assurance** to government that public funds have been subject to appropriate levels of scrutiny and used in line with the approved Full Business Case and Business Plan.
- **Support and oversee EMF's governance**, ensuring that the Board operates with transparency, propriety and inclusivity and in line with the Nolan Principles.
- Ensure appropriate **financial, risk and project documentation**, including audit trails, implementation plans and risk registers, is maintained
- Serve as the **primary interface with central government**, coordinating engagement between EMF, MHCLG and other departments as well as coordinating the work of the Board (with the Accountable Body being supported by the Chair, the Executive Delivery Team, relevant subcommittees and Members, as appropriate).

- Hold and manage pooled **retained business rates and residual seed capital funds**, distributing them in accordance with agreed strategies and decisions taken through EMF's public-sector decision-making structures.

EMF is designed to be an enabling delivery body, and the business of EMF is to operate East Midlands Freeport in accordance with MHCLG and other Government requirements. The Accountable Body is therefore not a delivery body, but a **guardian of public accountability, financial probity and governance discipline**, sitting alongside (rather than replacing) EMF's role as the operational and strategic delivery body.

It should also be noted that it is a condition of the Members Agreement that the Accountable Body should be a public sector member of EMF and appoint a Director to the Board.

The Accountable Body's veto and extent of control of the Freeport

The Accountable Body's control of the Freeport is best described as strategic, financial and governance control commensurate with its guardian of public accountability, financial probity and governance discipline. This is not operational management.

This control is exercised through reserved matters, consent rights, approvals, escalation routes and control of funding, rather than routine intervention. To date, the current Accountable Body has not used the objection or escalation route available to it.

It is important to note that the Accountable Body does not possess any overarching authority to manage EMF's operations, nor does it hold unilateral discretion over the allocation of funds. EMF's Board acts as the governing body of EMF and remains responsible for strategy, delivery and management, subject to the governance framework and the objectives of EMF.

Instead, the Accountable Body's control is exercised through clearly defined mechanisms, principally:

a. Accountable Body Reserved Matters

The Members' Agreement sets out a list of Accountable Body Reserved Matters, meaning EMF cannot proceed without the Accountable Body's explicit consent. These focus on areas where public risk is highest, including:

- Approval of the Business Plan and material in-year changes.
- Decisions that expose the Accountable Body to financial risk or liability, including borrowing, guarantees, transactions at undervalue, granting rights, selling or disposing of material assets and material contracts.
- Approval of annual accounts, with the right to withhold approval and escalate concerns to government if necessary.
- Procurement or contracting activity that is inconsistent with the Business Plan or public sector requirements.
- Entry into related-party transactions involving public money.

These are not discretionary powers but are structural guardrails, designed to ensure EMF cannot commit public funds or expose public bodies to risk without explicit oversight.

b. Objection and escalation mechanism

The Accountable Body may formally object to a Board decision if, acting reasonably, it believes the decision does not comply with government accountability or CIPFA requirements. In such cases:

- The Board must reconsider the decision.
- If the Board reaffirms its position, the Accountable Body may escalate concerns to government, even if it cannot block the decision outright.

This provides a strong soft veto and escalation safeguard, short of day-to-day interference.

c. Control over public funding flows

In practice, EMF cannot access:

- Seed Capital,
- Capacity Funding, or
- retained business rates,

without passing through the Accountable Body's financial, assurance and reporting processes. This gives the Accountable Body effective control over whether and when funding is released.

However, it doesn't give the Accountable Body the ability to direct the Freeport to distribute funds in a particular way. It couldn't, for instance, direct the use of business rates collected in one area to be used in another, this remains within the control of the EMF Board, with formal approval of funds expenditure and projects that draw from business rates by the Public Sector Directors Group.

Proposed further guardrails once EMCCA becomes the Accountable Body

As EMCCA assumes the Accountable Body role, there is scope to strengthen clarity and confidence without reopening the core constitutional balance. Options that sit comfortably with the existing framework include:

a. Formal Mayoral-Leaders / Chief Executives and EMF Strategic Review

It is proposed to establish a six-monthly strategic review between the Mayor of the East Midlands, East Midlands Freeport and the Leaders and Chief Executives of each council within the Freeport area.

- Focus on:
 - Strategic direction and alignment with regional priorities;
 - Balance of investment across the Freeport geography;
 - Long-term economic, social and environmental outcomes.

- This is an informal proposal which does not impact formal governance arrangements set out in the Members' Agreement, Articles of Association, AB Agreement and MOU with Government.
- Meeting agenda/ papers will be coordinated by EMF and reported back to the EMF Board.

b. Published statement of strategic priorities and principles

EMCCA will publish a short set of strategic principles guiding its exercise of Accountable Body functions (see EMCCA Statement below). This will increase transparency while preserving EMF's operational autonomy.

c. Enhanced scrutiny and reporting

Introduce an annual public assurance statement from EMCCA on EMF, covering:

- Use of public funds;
- Governance effectiveness;
- Alignment with regional objectives.

This can be supported with Overview and Scrutiny committee engagement within EMCCA as well as working with existing EMF structures (e.g. Audit and Risk Subcommittee).

EMCCA Statement on Responsibilities as Accountable Body

Purpose of this Statement

This statement sets out how the East Midlands Combined County Authority (EMCCA), in its role as Accountable Body, will exercise its responsibilities in relation to East Midlands Freeport Limited (EMF), providing assurance to partners, stakeholders and communities across the East Midlands.

EMCCA's Role as Accountable Body

EMCCA's role as Accountable Body is to safeguard the proper use of public funds, uphold high standards of governance and transparency, and provide assurance to Government and local partners.

EMCCA does not replace EMF's role as the strategic and operational delivery body for the Freeport. Instead, EMCCA's function is to provide proportionate oversight, ensuring that EMF can deliver confidently, compliantly and at pace.

Principles Guiding EMCCA's Approach

In exercising its Accountable Body responsibilities, EMCCA commits to the following principles:

1. Pragmatism and proportionality

EMCCA will act as an enabling and pragmatic partner. Intervention will be targeted, proportionate and focused on matters of public accountability, financial risk and governance integrity. Day-to-day operational decision making will remain with EMF.

2. Respect for agreed governance arrangements

EMCCA will operate strictly within the governance framework set out in the Memorandum of

Understanding, Members' Agreement and associated governance documents. Reserved matters and consent rights will be exercised transparently and consistently. EMCCA will work collaboratively with partners as the need for any future governance changes arises e.g. post Local Government Reorganisation.

3. Partnership and collaboration

EMCCA will work constructively with EMF, constituent councils, private sector partners and government departments to support effective delivery and timely decision making.

4. Strategic Alignment and Leadership

EMCCA will ensure that the Freeport continues to align with wider regional priorities, including inclusive economic growth, regeneration, skills development and the transition to a low carbon economy.

To support this, EMCCA will facilitate regular strategic dialogue, including periodic strategic reviews between the Mayor of the East Midlands and the Chief Executives of each council in the Freeport area, focused on long term direction, outcomes and regional balance rather than operational detail.

5. Community Benefit and Inclusive Growth

EMCCA is committed to ensuring that East Midlands Freeport delivers clear and tangible benefits for the people of Derbyshire, Nottinghamshire and Leicestershire.

In its Accountable Body role, EMCCA will support and expect:

- Investment that contributes to skills, employment and workforce transition;
- Opportunities for local communities and businesses to benefit from Freeport activity;
- Alignment with regional regeneration objectives.

These expectations will be pursued through strategic oversight and partnership working.

6. Use of Retained Business Rates

EMCCA recognises the importance of confidence in the use of retained business rates generated through the Freeport – and the position agreed and confirmed in EMF's published 2025 Investment Strategy.

Accordingly, EMCCA will:

- Uphold the agreed mechanisms governing retained business rates
- Where any changes are required (e.g. as a result of the recent LG Futures audit and of changing Government policy on business rates) EMCCA will work collaboratively with the relevant partners to resolve;
- Ensure that decisions are evidence based, transparent and aligned with Freeport objectives;
- Support a balance of investment (including with the Skills and Communities Equity Fund) across the Freeport geography over time, in line with EMF's Investment Strategy.

7. Transparency, Assurance and Accountability

EMCCA will promote high standards of transparency and assurance, including:

- Appropriate management of any conflicts of interests;
- Clear reporting and audit arrangements for public funding;

- Robust financial and risk management;
- Appropriate escalation to Government where required by accountability standards.

Should concerns arise, EMCCA will seek to resolve issues collaboratively and constructively, with escalation used only where necessary to protect public interest and probity.

8. Commitment to Stability and Confidence

EMCCA's intention as Accountable Body is to provide stability, confidence and clarity for EMF and its partners.

By combining strong public accountability with a pragmatic, partnership based approach, EMCCA will support East Midlands Freeport to realise its long term ambition as a driver of sustainable economic growth for the whole region.