



# East Midlands Freeport

Full Business Case

**Private and Confidential**



14<sup>th</sup> April 2022



## Chair's Foreword

Following approval of our Outline Business Case and formal designation of all three East Midlands Freeport (EMF) tax sites, I am delighted to introduce the EMF Full Business Case. EMF creates a huge opportunity for the region to level up some of our most deprived areas, as well as to create much needed jobs, improve skills, and to encourage business innovation and business relocation into the UK. We also recognise that EMF has the potential to form an integral component of the wider Freeport network. Being the only inland freeport, with its central location and excellent rail, road and air links, it creates national, international and global connections. The East Midlands' central location is the reason that global pure freight operators and Royal Mail choose East Midlands Airport as their main UK hub and the reason it makes so much sense to create a Freeport here.

EMF's value proposition has net zero, innovation and skills at its core. It presents a material opportunity to de-risk and de-carbonise supply chains across a number of our key regional sectors. This combines our partnering Universities' leading work in developing green technology solutions, including hydrogen, which will increasingly replace existing carbon intensive such as the current coal fired power station at Ratcliffe-on-Soar, which is due to close in 2024 in line with Government policy. Freeport status will significantly accelerate and amplify this work. The recent successful university-led bid to the DTI for funding to develop a skills academy in the region aligns well with EMF. Similarly, HS2 to East Midlands Parkway, (adjacent to both Ratcliffe on Trent, the Airport and East Midlands Gateway, two of our tax sites) further enhances EMF's connectivity. We continue to work with these and other local partners to dovetail initiatives for the greater good of the region.

An aspect of our partnership that I am particularly pleased with is the unified approach and collaborative effort that the numerous organisations and individuals involved in this bid, public and private, have made to produce the Full Business Case. EMF is proud to be the only freeport in the Midlands. Together with Midlands Connect, the East Midlands Development Company and Transport for the East Midlands we are driving for the same growth and prosperity ambitions under the umbrella of the Midlands Engine and EMF remains very grateful for the support and advice of Sir John Peace, the Engine's Chair.

To establish a Freeport that unites education, innovation and skilled jobs, creates new opportunities and attracts and retains talent within the region is our vision which we will bring to fruition. It will enable high potential individuals to build a life and career within the region rather than having to relocate elsewhere to advance their career. This of course supports the wider objective of levelling up. The reinvestment of retained business rates delivered from the operation of EMF will provide still more physical and social support to the region, building a virtuous circle of improvement.

The power of this Freeport is already evident following the designation of the Tax sites. Significant interest has been generated as we bring the Freeport to life. We are in the process of finalising and putting in place the longer term governance structures and the potential and the desire to deliver a successful Freeport here within the East Midlands as part of our strategic regeneration and growth objectives is truly evident.

**Penny Coates**

**Chair of the East Midlands Freeport Board**



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# Strategic Case

## 1a. Strategic Rationale

### 1a. i. The rationale for public intervention

East Midlands Freeport (EMF) is a prime and unique opportunity for the UK Government (HMG) to contribute to the three policy aims of promoting national hubs for trade and investment, creating a hotbed for innovation, and delivering regeneration and job creation in a region that sits at the heart of the UK's economy.

The only airport-centred, inland freeport in England, EMF is an unprecedented opportunity to develop a world-leading advanced manufacturing and logistics hub through public intervention. EMF is based around three core and complementary sites; the East Midlands Airport and Gateway Industrial Cluster (EMAGIC), Uniper UK's Ratcliffe-on-Soar site, and the East Midlands Intermodal Park (EMIP). Its central location, combined with its proximity to the M1 and the Strategic Road Network, put 91% of the UK population within a four-hour drive, and its airport connectivity, with East Midlands airport as the UK's largest express freight airport, provides rapid access to global markets for importers and exporters. Complementing this, direct rail connections to all coastal freeports make EMF an airport-connected axis, offering unique benefit to the wider freeports regime. Additionally, the Local Authorities in the region are supportive of the Freeport, putting EMF in a primary position to deliver a national hub for global trade and investment with the support of HMG.

Transport connectivity, a unique level of local university integration into EMF's governance structure and supporting network, and existing industry-leading expertise in advanced manufacturing, advanced logistics and energy provides the foundations for the development of a hotbed of innovation in areas such as whole supply chain decarbonisation. The step-change in innovation and R&D that EMF will achieve will further enhance the freeport's economic, social, and environmental benefits by focusing on high-value, low carbon investment in the manufacturing and logistics sectors, and will help address historically low investment in R&D by HMG in the region.<sup>1</sup>

The criticality of intervention in the area is further underpinned by the need to drive regeneration and job creation. From 2012-2019<sup>2</sup>, actual job growth in the East Midlands was only 53% of the national average. Meanwhile, most recent data<sup>1</sup> shows that in 2018/19 the East Midlands received the lowest level of investment in economic affairs (being enterprise and economic development, science, technology and employment policies) of all the UK regions and the lowest level of spend on transport. This gap has widened annually from 2014/15 to the present given aforementioned factors including a lack of government funding, coordination, and prioritisation.

### 1a. ii. Why a freeport is the correct response

Development of a freeport at EMF at this time is imperative for the success of the HMG's freeport regime, as it will uniquely allow for:

- ▶ EMF to connect Freeport tax and customs sites by rail to all coastal freeports, providing a unique opportunity to deliver multi-modal connectivity between freeports as a central axis, accelerating the conversion of road freight to rail and providing a green gateway for trade throughput growth and the decarbonisation of freight.
- ▶ The development of a new breed of innovative businesses across the target sectors set out in Section 1b. ii. through freeport levers<sup>3</sup>, local clustering effects, and synergies with regional initiatives such as the East Midlands Development Corporation (DevCo) and Midlands Engine. This will facilitate the delivery of a world-leading advanced manufacturing and logistics hub, forecast to create c. 61,000<sup>4</sup> new jobs in the wider region.
- ▶ Innovation and skills growth in the area to nurture and develop new technologies such as clean energy generation, supporting HMG's Net Zero ambitions.

While other interventions could stimulate regional regeneration and job growth, innovation, and growth in global trade individually, designation of EMF offers HMG the opportunity to support each of the aforementioned objectives in a coordinated and synergistic manner. EMF will simultaneously deliver benefits to the East Midlands region, HMG's wider freeport regime, and, therefore, the whole nation.'

### 1a. iii. The need for public investment of public funds as seed capital

Public investment will facilitate inward investment in the area, consequently driving job growth, regeneration and developing a skilled workforce, enhancing the status of the Freeport as a hub for Global Trade, and supporting the regional innovation agenda.

As set out in more detail in Section 1d. i. and the Financial Case, seed capital of £25m will support these objectives by:

- ▶ Funding the development of intra-site and intra-regional transport infrastructure that will unlock the development and trade potential of the identified sites. This will drive regeneration through provision of new, high value jobs for the local workforce, and improve site access for freight and trade, consequently attracting further private investment and innovation into the geography.
- ▶ Delivering a Hydrogen Skills Academy to the benefit of businesses operating in EMF and beyond by creating much needed local capacity of relevant, higher-skilled employees and benefitting the wider region through boosting productivity, innovation and

<sup>1</sup> HM Treasury. (2020). *Public Expenditure Statistical Analyses 2020*.

<sup>2</sup> Social Mobility Commission. (2019). *State of the Nation 2018-2019: Social Mobility in Great Britain*.

<sup>3</sup> Further detail on innovation strategy provided at Section 1d. i.

<sup>4</sup> Preliminary forecast per FBC Economic Case (Section 2)

improving the skill-competitiveness of the local population. The HSA will establish an energy transition and decarbonisation hotbed, further contributing to the EMF skills and talent agenda. Further information on the HSA proposal can also be seen in Annex Y – Project Profiles and Cost Estimation Methodology.

- ▶ Developing digital connectivity which will support the flow of goods between the sites through the delivery of a single EMF customs operating system, promoting EMF as an investible proposition for Customs operators in the early phases of the Programme.

## 1a. iv. What would happen in the absence of public intervention

### Potential results of absence of EMF designation

As set out in Section 1e. ii. and the Economic Case, the designation of EMF and accompanying investment of public funds through seed funding will deliver regeneration and growth to the region which could not be delivered to the same extent or with the same speed, in the absence of freeport status.

EMF is consequently a key initiative for the region, given that the East Midlands economy has been disproportionately impacted by UK-wide, macroeconomic trends as well as external factors such as COVID-19, in part due to its reliance on manufacturing and labour-intensive industries. Furthermore, the skills and productivity gaps present within the labour force only reinforces recent trends.

Without the EMF, over the next 10 years, the East Midlands economy is forecast to expand at a rate (25%) below the UK economy as a whole (27%)<sup>5</sup>. EMF has the ability to ensure that the region can realise its growth potential through enhancing corporate investment and job growth, as well as innovation, and bring the region in line with the wider UK economy.

Without freeport designation, it is less likely commercial floorspace would ultimately be developed, with investments planned to benefit from the Freeport levers being put at risk of displacement. Furthermore, the attraction of new investors to currently underdeveloped sites would likely occur more slowly. Consequently, the job growth forecast in the Economic Case would be delayed, and regional strategic ambitions for world-leading net zero carbon growth and innovation in the area facilitated by freeport levers would not be optimally realised.

### Potential results of absence of EMF seed capital funding

Further to the importance of EMF designation to regional development, the provision of seed capital is integral to the optimal functioning of the freeport, and consequently regional growth. Seed capital funding will be used to fund site remediation and the development of connecting transport infrastructure, the delivery of digital infrastructure to support customs sites, and a regional Hydrogen Skills Academy.

Should this seed capital not be provided, it is anticipated that the delivery of regional transport initiatives may be delayed or halted altogether, detracting from regeneration, trade, and Net Zero ambitions. Aligned to this, a failure to deliver the Hydrogen Skills Academy would reduce the effectiveness of the EMF Skills and Workforce Development plan, and consequently regional job growth and upskilling efforts in the hydrogen and energy production sector, as well as planned synergies with other regional hydrogen-focused initiatives.

Meanwhile, a lack of digital infrastructure to support customs clearance would reduce the level of support at EMF available to its prospective Customs Site Operators (CSOs). This could deter potential CSOs from obtaining authorisation, which would inhibit access to customs site benefits from business operators and thus reduce the effect of EMF on regional trade throughput.

## 1a. v. The strategic interdependencies of the freeport

Success for the EMF has a number of strategic interdependencies that have been considered as part of EMF's strategic implementation planning, including:

**Transport infrastructure and usage:** Continued cooperation from National Highways, Network Rail, Department for Transport, as well as private sector transport operators is required to maintain and improve connectivity to and from the Freeport. Particular interdependency is with planned regional highways improvement by National Highways to support traffic flows into and out of the sites. Meanwhile, a key tenet of the transport infrastructure policy interaction for EMF is in relation to rail transformation in the region, particularly rail freight transformation, supported by recent UK Government policy announcements such as the Integrated Rail Plan (IRP). EMF believes that the IRP will support EMF in developing the long-term regional value proposition, delivering job growth and productivity benefits in future years. However, given timeframes and activities to date, EMF does not identify IRP and HS2 developments as a critical dependency for success of EMF's initiatives. Further detail of this strategic interdependency is set out in **Annex V** of this document.

**Alignment with the East Midlands DevCo:** The strategic initiatives being planned via EMF are complementary to those of the DevCo, a council-owned company supporting regeneration of the Toton & Chetwynd East Midlands Hub, Ratcliffe-on-Soar Power Station area, and East Midlands Airport area. The UK Government IRP states that 'plans for an East Midlands Delivery Vehicle will be accelerated'. This is welcome and taken to mean that a legislative timeslot will be identified with a view to the delivery vehicle being enacted. Whilst the timescale remains to be confirmed and while EMF is not dependent on DevCo activity or progression, planning activities relating to the relationship with the DevCo are underway and will continue to ensure that EMF capitalises upon potential synergies with the proposed activity of a delivery vehicle. Potential relationships with a delivery vehicle can be categorised into two groups – Site planning and investment support, and Regional governance alignment. Further detail of these is set out in FBC Section 5a. iii.

<sup>5</sup> Oxford Economics. (2021). *East Midlands Regional Economic Forecast*.

**HMG energy policy and incentives:** Low carbon energy production is an integral part of the Freeport, considering the focus of site redevelopment at Ratcliffe on Soar and elsewhere. Viability of these developments is heavily impacted by HMG’s energy policy such as incentives for moving freight to electric vehicles, as these influence renewable energy demand. While EMF will facilitate and amplify developments of EMERGE and proposed Gigafactory, continued support and incentives through UK Government policy are required to attract investments in renewable and alternative energy generation and storage.

**Net Zero policy:** As set out in FBC Section 1g, EMF will support relevant sectors in their ongoing pursuit of HMG’s Net Zero agenda, including the “Jet Zero” programme. Accordingly, it is imperative that EMF stakeholders and business operators in the region are kept abreast of the latest decarbonisation activities being undertaken at the Freeport.

**Continued development of the HMG’s planning regime:** Facilitative planning policy and prompt strategic planning guidance needs to be provided by DLUHC to support rapid property development in the area.

**Funding to regional public bodies and educational institutions:** HMG delivery of pump priming finance being made available to local councils and academic institutions can provide synergies through additional regional development and upskilling. For example, HMG recently provided £13m funding to create the East Midlands Institute of Technology. This initiative, led by Loughborough University, Loughborough College, the University of Derby and the Derby College Group, will specialise in providing training in critical engineering, manufacturing and digital skills, aiming to drive forward the digital revolution agenda.

## 1b. Target Markets

### 1b. i. The sectors/value chain segments/markets the freeport will target

EMF has identified 10 Standard Industrial Classification (SIC) codes which represent target sectors for the Freeport, amalgamated into four categories for analysis.

Sector grouping	SIC code	SIC code name
Advanced logistics and warehousing	43	Specialised construction activities
	51	Air transport
	52	Warehousing and support activities for transportation
	68	Real estate activities
Advanced manufacturing of motor vehicles, innovative aircraft, and other electrical equipment	27	Manufacture of electrical equipment
	28	Manufacture of machinery and equipment
	29	Manufacture of motor vehicles, trailers, and semi-trailers
	30	Manufacture of other transport equipment
Low carbon & renewable energy production and transmission	35	Electricity, gas, steam, and air conditioning supply
Research and development	72	Scientific research and development

### 1b. ii. Analysis and sizing of the target sectors/value chain segments/markets

Economic indicators from both the Office for National Statistics (ONS) and Oxford Economics (OE) have been analysed for each sector to set out current economic activity in the Freeport region (Nottinghamshire, Leicestershire, Derbyshire) as well as forecast regional growth potential. As identified by the economic analysis conducted, each of the sectors identified in EMF’s Expression of Interest has significant potential for growth in the region. This will be amplified by the availability of the Freeport levers, as set out in Section 2d. An analysis of the region’s existing capability and expected growth in the areas is set out below:

**Advanced logistics and warehousing:** SIC Code(s): 43,51, 52, and 68. Data from the ONS suggests that the warehousing, transport support, postal, and courier sectors across Derbyshire, Leicestershire, and Nottinghamshire generated a combined GVA of £1,905m in 2018.<sup>6</sup> The large advanced logistics and warehousing market in the East Midlands is driven by the strength of the location, national transport networks and an agglomeration of logistics and supply chain businesses. In particular, the sector is boosted by commercial activity at East Midlands Airport, which is both an international passenger airport and the UK’s leading express freight airport, processing over 406,000 tonnes of cargo a year with a value of around £40bn. The Freeport area includes part of the SEGRO Logistics Park East Midlands Gateway - a 283-hectare development with planning consent for up to 6,000,000 sq. ft of logistics accommodation. Within SEGRO Logistics Park is Maritime Transport’s 7 hectare Rail Terminal, which opened in March 2020, now handling 6 'intermodal' train services a day, transporting shipping containers to the major deep sea container ports, connecting into weekly shipping services to more than 75 countries around the world. Today, more than 1 million tonnes of cargo, or 100,000 containers, per annum pass through the Terminal which has the capacity to handle 16 x 775 m length trains a day. Given the East Midlands’ central location and access to the strategic road network, with both the M1 and A1 passing through the region, the trade, transport and storage sector comprises 18% of the region’s GVA<sup>7</sup>.

<sup>6</sup> Office for National Statistics. (2019). *Regional gross value added (balanced) by industry: local authorities by NUTS1 region*.

<sup>7</sup> Oxford Economics. (2021). *East Midlands Regional Economic Forecast*.

As it stands, Oxford Economics forecasts the sector to grow by 27% over the next 10 years<sup>8</sup>. However, the Freeport designation has the potential to grow this sector further by expanding the existing logistics and smart warehousing clusters in the East Midlands, notably the areas next to Toyota's existing manufacturing plant. Developments here aim to build innovative real estate that contributes to Net Zero through advanced logistics operations and to support air freight / cargo activities at the airport. This growth would boost the East Midlands' position as a leader in the advanced logistics sector and mitigate displacement to other regions with developing logistics industries such as the North West and West Midlands of England.

To enable this growth, further road and rail infrastructure improvements are needed to access both domestic and international markets, given the anticipated increase in freight volumes and a continued shift from road to rail freight. Additionally, initiatives facilitated by the freeport are needed to mitigate skills gaps which could counteract the forecasted growth in the region. One such example is Leicester and Leicestershire, in which the Local Skills Report noted that without adequate retraining for employees impacted by the anticipated contraction of the traditionally strong manufacturing base, it may be difficult for the advanced logistics and warehousing sector to find qualified workers, especially considering the high proportion of residents that have no qualifications.

**Advanced manufacturing of motor vehicles, innovative aircraft, and other electrical equipment:** SIC Code(s): 27, 28, 29, 30. The manufacturing sector in the East Midlands contributes close to 17% of the region's GVA, well above the UK's average of 10%.<sup>9</sup> More specifically, according to data from the ONS, the manufacturing of metals, electrical products and machinery accounted for £5,209m worth of GVA in the three Counties in 2018.<sup>10</sup> The East Midlands is a hub for advanced manufacturing in the UK and the Toyota manufacturing plant at Burnaston, which specifically produces hybrid cars containing both internal combustion engines and battery-powered motors, is a major contributor to the sector's GVA in the East Midlands.

Oxford Economics forecasts that the manufacturing sector across Nottinghamshire, Derbyshire, and Leicestershire will continue to be dominant over the next ten years to 2029, growing by 11%.<sup>11</sup> The freeport's numerous levers outlined in Section 1d. i., are likely, however, to attract other firms engaged upstream and downstream in the battery-powered motor vehicle value chain including lithium-ion battery manufacturers, and firms developing innovative vertical take-off and landing aircraft, such as drones and other autonomous aircraft technology, thereby further incentivising growth in the region's sector. This growth potential would support the UK in continuing to compete with automotive manufacturing hubs such as China and Germany and with global leaders in aerospace such as the US and France in the manufacturing of aircraft.

The East Midlands is the third most significant aerospace cluster in the UK, and the second most significant in terms of numbers employed. Aerospace growth is dependent on improved access to airports, technology and a highly technical workforce, whilst automotive growth requires freight infrastructure access and local skills and service providers. The East Midlands is a strong base for such growth given its strong air, rail and road connectivity and local R&D initiatives (such as Space Park Leicester and the prospective Manufacturing Research Centre Midlands), but freeport designation is a prime opportunity to further strengthen the proposition. For example, as set out in Sections 1d. and 1e., despite the numerous outstanding research universities in the East Midlands, the D2N2 Local Skills Report identified the need to "further develop the digital skills and digital infrastructure in the region." EMF will help mitigate any skills gaps and expand the digital skills and infrastructure base in the region. This would help to maximise the benefit and success of ongoing and fresh investment, such as at the new Toyota site in Burnaston.

**Low carbon & Renewable energy production and transmission:** SIC Code(s): 35. The East Midlands continues to be an important centre for electricity, gas, steam, and air conditioning supply, with the sector generating £2,025m worth of GVA in 2020<sup>12</sup>. Moreover, the Freeport will support the decarbonisation of the region through low carbon energy production. This includes development of facilities such as EMERGE on the Ratcliffe-on-Soar site to generate energy from recycling residues, supporting the site's development of a circular economy; low carbon hydrogen production; and renewables. The energy (including heat) can be used by the industries attracted to the site to support decarbonised manufacturing.

Indicators from Oxford Economics suggest significant growth in this sector over the next ten years to 2029, with the total output increasing by 55% from £2,025m in 2020 to £3,142m in 2029<sup>13</sup>. However, the aforementioned redevelopment, bolstered by the levers available in the freeport and other complementary initiatives as outlined in Section 1d. ii. will likely accelerate this growth. This may support the UK in increasing its renewable energy production levels to match those of other leading proponents such as France, Canada, and Germany.

To support growth in the green economy, the sector within the East Midlands will require road, rail and national grid connectivity, which are already developed at EMF – such as the existing grid connectivity at Ratcliffe. Additionally, the surrounding area will need to be able to supply innovative companies located within the East Midlands with a highly-skilled workforce. Despite having a large pool of eligible workers, the Nottingham region, within which the Ratcliffe-on-Soar power station and site is being redeveloped, has specifically noted in the D2N2 Local Skills Report that it needs to "build on the local skills ecosystem to adapt to low carbon growth and the rise of automation".

**Research and development:** SIC Code(s) 72. The East Midlands is a strong centre of research and development in the UK, contributing 6% of the country's total R&D expenditure and employing over 17,000 employees in 2016.<sup>14</sup> More specifically, the professional, scientific, and technology sectors in the three counties contributed £4,522m worth of GVA to the economy in 2020<sup>15</sup>. Regional strength in the sector is

<sup>8</sup> Oxford Economics. (2021). *GVA by UK Local Authority District Databank*.

<sup>9</sup> Oxford Economics. (2021). *East Midlands Regional Economic Forecast*.

<sup>10</sup> Office for National Statistics. (2019). *Regional gross value added (balanced) by industry: local authorities by NUTS1 region*.

<sup>11</sup> Oxford Economics. (2021). *GVA by UK Local Authority District Databank*.

<sup>12</sup> Oxford Economics. (2021). *GVA by UK Local Authority District Databank*.

<sup>13</sup> Oxford Economics. (2021). *GVA by UK Local Authority District Databank*.

<sup>14</sup> Royal Society. (2018). *Research and Innovation in the East Midlands*.

<sup>15</sup> Oxford Economics. (2021). *GVA by UK Local Authority District Databank*.

driven by inclusion of over 9 renowned universities and research facilities such as University of Leicester, De Montfort University, Loughborough University, University of Nottingham, Nottingham Trent University, and University of Derby. Moreover, the East Midlands is considered a strategic hub for the UK’s national space activity, benefiting from a unique collection of space industry assets.

The professional, scientific, and technology sectors as a whole are predicted to experience a surge of growth in the next 10 years, with the GVA generated from it growing by 34% from £4,522m in 2020 to £6,049m in 2029<sup>16</sup>. Additionally, the East Midlands Freeport aims to attract businesses that build on the region’s competitive advantages and enhance regional and national development plans, including Net Zero and innovation. UK Space policy, for example, looks to create 10,000 jobs by 2030, many of which will be centred in the East Midlands. This will be supported by EMF and accompanying initiatives, which will an upskilling of the local workforce, thereby improving the R&D prospects in the region. The specified target sectors for R&D and innovation will complement, rather than inhibit, other hubs such as those Cambridge, Oxford, and London.

In order to maintain its strong position as a research and development hub, the East Midlands needs to provide access to reliable digital infrastructure and address the weak link between its businesses and its outstanding research universities. Across most of the Local Skills Reports in the region, this has been highlighted as a major area of concern; without these interactions, ideas developed in research hubs will not find their way into production and business needs may not be communicated to the research centres. Moreover, in Leicester and Leicestershire Council’s report, they also identified the lack of skilled workers as a barrier to growth in the science and engineering fields; both of which are critical for research and development activity.

## 1c. Value Proposition

### 1c. i. Details of the Value Proposition

Underpinning the proposal for the EMF is a clear and defined value proposition for the target sectors and markets that the Freeport is focused on enabling.

EMF’s value proposition is formed of five distinct pillars, as presented below, providing a compelling competitive advantage to the freeport and establishing its position as a leader at the forefront of driving global trade and investment, regeneration, and innovation.

EMF Value Proposition				
The UK’s best connected freeport at the heart of the nation’s advanced manufacturing and logistics economy	An innovation hotbed for energy transition and supply chain decarbonisation	A growth hub for the next generation of SMEs	A skills and employability accelerator	A strategically integrated network of development initiatives
The only inland freeport in the UK, EMF offers unique multi-modal connectivity options with strong existing air, road, and rail infrastructure. It sits at the heart of the UK’s economy, offering comprehensive national connectivity (including to all other freeports) and an unparalleled global connectivity in terms of both extent and swiftness.	EMF establishes a unique and collaborative community of innovators focused on tackling global economic challenges head-on. In particular, EMF’s innovation focus aims to leverage its leading-edge advanced logistics base to drive a transformational decarbonisation of the supply chain, permeating through the region’s extensive economic networks.	The combination of organisations within EMF’s coalition will leverage this community to create a renowned SME incubator hub, creating a sustainable, agile and innovative foundation to the region’s economy. This will focus on nurturing innovation and sustainable high-growth, supported by significant international business presence.	Founded upon collaborative efforts of the nine leading universities and further education institutions in the region, EMF will deliver a targeted skills strategy to support the levelling up agenda in communities who have been left behind and to meet employer requirements, focusing upon job growth through capitalisation on areas of shortage within the current labour force, while further nurturing the brightest innovative potential in the region to supercharge the area’s growth and productivity.	EMF is one of a number of regional initiatives such as DevCo, Midlands Engine, Midlands Connect, and the IRP, and is being established as a key strategic tenet in the wider Midlands Region’s development.

<sup>16</sup> Oxford Economics. (2021). *GVA by UK Local Authority District Databank*.

**Annex X** sets out the sectors, role types, and timeframes for jobs the Freeport is expected to create, broken down by tax site. It also sets out the key relationships between each of the five pillars of EMF’s value proposition, and the tax sites. Methodology for economic modelling is set out in **Annex I**.

## 1c. ii. Shortfalls in the Value Proposition

As required by DLUHC per the “Setup Phase and Delivery Model Guidance: English Freeports” (DLUHC guidance), despite the strong EMF value proposition, some manageable shortfalls have been identified for purposes of the FBC. Three key shortfalls identified are as follows:

**1. Intra-site transport infrastructure availability:** A key component of the EMF value proposition is the delivery of exceptional connectivity both nationally and internationally, which is facilitated by the Intermodal Park, existing rail links, road links, and the airport. However, certain aspects of this connectivity may require development to maximise the freeport’s potential, such as highway management to facilitate access to the customs and tax site developments and prospective rail freight terminals.

**2. Shortfall in identified skill areas:** The Midlands as a region faces significant challenges with respect to skills, notably having fewer people with high level qualifications relative to the national level, and more than the national level without qualification<sup>17</sup>. As outlined in many of the Local Skills Reports in the East Midlands area, these shortages are often centered around the technical skills needed in many of the key sectors outlined in Section 1b. ii. This means that further regional skills growth is required to meet the growing needs of the Freeport employers who will be delivering high quality employment in the region across a variety of skill levels. Detailed analysis of the skills availability of each target sector is set out in 1b, while further information relating to regional skills availability is provided in Sections 1d. i. and 2d.

**3. Disparate regional governance structures:** Historically, governance in the region has suffered from asymmetric polycentricity driven by the numerous accountable bodies engaged with local development. This has led to disparate leadership of strategic projects and requires management during the implementation of the freeport.

**Mitigations of these shortfalls are discussed in Section 1e.iii. of this document.**

## 1d. Interventions and Levers

### 1d. i. Freeport levers

In line with DLUHC guidance, this section of the FBC sets out how each freeport lever will be deployed and any interactions between them, covering the following freeports levers and interventions:

- Freeports seed capital
- Tax sites
- Retained business rates
- Customs sites
- Planning
- Innovation
- Trade and investment promotion
- Skills and workforce development activity

### Freeport seed capital

The designation of freeport status in the East Midlands will require seed funding from the HMG to facilitate and enhance the effectiveness of other freeport levers. The following list of projects are within scope of the HMG seed capital funding guidelines and will play a fundamental role to ensure critical infrastructure is in place to accelerate the readiness of sites and therefore realisation of Freeport objectives.

In particular, the funding is planned to enhance regional transport infrastructure further developing intra-site and intra-regional transport infrastructure availability, close identified skills gap to provide access to new jobs for the local workforce, increase the connectivity within the region, and consequently attracting further private investment.

Further funding spent on the Hydrogen Skills Academy will help train and redevelop the local workforce around the production, handling, storage and end-use applications of hydrogen. This infrastructure will bring about long-term environmental benefits to the UK as a whole as we move towards net zero, facilitating the regional and national transition to low carbon fuels, e.g. hydrogen fueled heavy transport such as buses, HGVs, off-road vehicles, passenger & freight trains and airport/aviation operations. This builds on the existing hydrogen infrastructure expertise and commercial capabilities in the East Midlands including its nationally significant distribution and logistics sector.

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<sup>17</sup> Midlands Engine. (2016). *A Science and Innovation Audit Report for the Midlands Engine, sponsored by the Department for Business, Energy & Industrial Strategy.*

Successful delivery of the EMF will require seed capital funding from HMG of £25m broken down by project below:

Project Name and Sponsor	Project Description	Freepport benefits	Total Seed Capital allocation £'000
SCP2 - Cycle Routes	Cycle routes building on existing key cycling network infrastructure that will connect EMF sites to surrounding towns within the defined outer boundary.	These cycle routes will facilitate better access to the site as well as promotion of sustainable transport modes through the reduction of greenhouse gas emissions. This proposal will also support the regeneration of local areas by creating sustainable employment whilst improving regional connectivity and integration.	1,480
SCP3 - Connecting road infrastructure on the Ratcliffe site	Transport infrastructure at Ratcliffe South that upgrades the existing access site from both East (West Leake Lane) and West (Parkway junction) via localised road widening and roundabout enhancements.	This project de-risks the freeport operational timetable by ensuring there is adequate transport and freight capacity and access to the site before launch. The project would enable improved access to EM Parkway which would facilitate growth in use of public transport and engender wider capacity benefits boosting regional connectivity and integration.	12,420
SCP4 - South Site Preparation	South Site preparation including accelerated ash field clearance and remediation, servicing preparations and site levelling and preparation.	This programme accelerates the readiness of the South Site to capitalise on inward investment and private sector investment. The design will include provision for future low carbon power and heat supply to the South site from the North aligning with Government and EMF Net Zero ambitions.	4,000
SCP5 - Hydrogen Skills Academy (HSA)	The Hydrogen Skills Academy will be the UK's first practical, industry-based training centre associated with the production, handling, storage and use of hydrogen.	The HSA project will mitigate identified skills gap through building a demonstrator and facilities to train and re-train the local workforce, boosting productivity, innovation and closing education inequalities with a broad range of education and vocational offers. This will benefit the tax and customs sites by creating a local capacity pool of relevant, higher-skilled employees for businesses located in the Freeport, particularly vital in the early projects early phase, whilst contributing toward wider regional benefits, in the transition to net zero and decarbonisation.	4,500
<b>Total</b>			<b>25,000</b>

All Seed Capital projects are subject to viability and subsidy assessments as per the project assessment criteria below, and Value for Money protected as per the Commercial Case, Section 4d.

## Tax sites

### *i. Economic benefits associated with tax lever implementation*

The economic benefits associated with the tax levers enabled by EMF's proposed tax sites are expected to support the regeneration and Levelling Up agenda in the region by attracting inward investment and improving employment opportunities. As set out in Section 2b. ii., on a total level, tax levers are forecast to generate net additional GVA of £3.6bn to the region over a 30 year horizon, increasing to £8.8bn once all indirect and induced impacts are taken into account. High-level quantitative modelling of the tax lever impacts of individual levers is set out in Section 2b. i. and will be refined

A qualitative review of how the tax levers available to businesses operating in the three potential freepport tax sites is set out below. Further detail of the impacts of these can be found in Sections 1f, 2, and 4a of this Full Business Case.

- ▶ **Zero rate of secondary NICs for freepport employees:** Reducing employee tax costs will reduce the marginal cost of each new employee for businesses situated in freepport tax sites, supporting the EMF ambition of delivering 61,130 new jobs and introducing new skills to the region. Advanced manufacturing businesses have already indicated that NIC relief, alongside the other tax levers and EMF's other attributes, provide a compelling argument for investment in the Freepport's tax sites.
- ▶ **Enhanced capital allowance (ECA) for plant and machinery:** While the value of capital allowances to businesses within the Freepport will depend upon the tax profile of those businesses, it is clear that the ECA will dramatically accelerate development in freepport tax sites, supporting significant investments into plant and machinery in the tax sites. Advanced logistics facilities, such as those being developed and offered in the EMAGIC site, can involve over £50 million of cutting-edge plant and machinery per building. Consequently, investment would be accelerated by the availability of ECAs, encouraging rapid regeneration, job growth, and ongoing investment in the area over the period for which the ECAs are available as new facilities at EMAGIC and other tax sites come into operation, as well as supporting the development of innovative warehousing, logistics, and manufacturing space to further boost the region's status as a hub for trade and logistics.
- ▶ **Enhanced Structures and Buildings allowance (SBA):** Plans for the potential Freepport tax sites include the development of over 15 million sq ft of new industrial and employment floorspace and redevelopment of the brownfield site in Ratcliffe Upon Soar to support energy transition in the area. These development activities will be accelerated and facilitated by the availability of enhanced SBAs, deriving additional benefits across the local economy as businesses, often SMEs, will be engaged to support the redevelopment efforts and future operation of the new facilities.
- ▶ **Stamp Duty Land Tax relief (SDLT):** SDLT relief will enhance the Freepport's value proposition for both property purchasers and commercial occupiers, delivering reduced cost of investment into the local area for both groups. This relief is already attracting operators to raise enquiries about property purchases and leases in the site. This, alongside enhanced SBAs and ECA, would support plans to further boost the status of the port as a hub for global trade and investment, facilitating expansion of rail terminals and accompanying land and building investment, as well as reducing cost barriers to investment for advanced logistics and warehousing operators looking to make use of the Freepport's connectivity.
- ▶ **Business rates relief:** Business rates relief will open up investment into tax sites for large businesses and SMEs alike, with an amplified benefit for SMEs, who can claim relief on a proportionately larger part of their business. The benefits of business rates relief have already been evidenced in the area, where many businesses have already indicated that business rates relief will impact their decision to invest in the local enterprise zones.

As evidenced, the tax levers available as part of the tax sites provide a compelling incentive for accelerated and enhanced investment into the potential sites and wider region, thus supporting the HMG Freepport policy objectives as set out in Section 1e.

*ii. Strategic vision and anticipated outcomes by site*

**The strategic vision, target sectors, and relationship to the UK Government Freepport objectives for each tax site is provided in Section 1f of this document. Meanwhile, a breakdown of jobs, sectors, role types, and timeframes for jobs the Freepport is expected to create, broken down by tax site, is set out in Annex X.**

## Retained Business Rates

### Objectives of Retained Business Rate Fund, Example Workstreams and Projects

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, Skills and turbocharge Productivity and Innovation in the region. The funds will drive regeneration through job growth and wage uplift triggered by the Freepport levers, and will facilitate a flourishing and innovative cluster around the target sectors.

RBR Fund Objectives	Example Delivery Phase Workstreams	Relationship to Freepport Value Proposition
<b>Acting as the catalyst for EMF and Regional Connectivity</b>	<ul style="list-style-type: none"> <li>▶ <b>Eight road hotspot areas</b> have been identified across the EMF Geography where connectivity interventions are required to enable Freepport access.</li> <li>▶ <b>Seed capital funding towards low carbon hydrogen and rail infrastructure</b> to strengthen connectivity and increase trade throughput intra-site.</li> <li>▶ <b>Connectivity measures accelerated by further growth</b> stimulated by the Freepport activities.</li> </ul>	<p><b>Value Proposition 1;</b> The UK's best connected freepport.</p> <p><b>Value proposition 5;</b> Contributory role of connectivity infrastructure to wider regional development initiatives in DevCo, IRP, Midlands Engine and Midlands Connect.</p>

<b>Developing a World Class Regional Skills Base</b>	<ul style="list-style-type: none"> <li>▶ <b>Hydrogen Skills Academy (HSA) Phase Two and Three;</b> with a level 3 to 8 curriculum across a broader hub and spoke footprint proposed for Hydrogen skills.</li> <li>▶ <b>EMF Entry Level Talent Fund:</b> Match funding for apprenticeship, traineeship, supported internships, work placements and experience for T-Level and A-Level Students across target sectors.</li> </ul>	<p><b>Value Proposition 2;</b> An innovation hotbed for Energy Transition and Supply Chain Decarbonisation.</p> <p><b>Value Proposition 4:</b> A skills and employability accelerator.</p>
<b>Turbocharging Productivity and Stimulating Innovation across EMF Target Sectors</b>	<ul style="list-style-type: none"> <li>▶ <b>Small Medium Enterprise (SME) Growth Hub</b> and incubator programme for businesses within the Travel to Work Area that are operating within the Target Market Groups.</li> <li>▶ <b>Advanced Manufacturing, Logistics and Low Carbon Match Fund</b> accessible by Business or Academia operating within the Freeport.</li> <li>▶ <b>Energy Research Accelerator research programme Phase Two</b> accelerating inward investment to further develop the innovative research programme offer.</li> </ul>	<p><b>Value Proposition 2;</b> An innovation hotbed for Energy Transition and Supply Chain Decarbonisation.</p> <p><b>Value proposition 3;</b> A growth hub for the next generation of SME's</p> <p><b>Value proposition 5;</b> Contributory role of connectivity infrastructure to wider regional development initiatives in DevCo, IRP, Midlands Engine and Midlands Connect.</p>
<b>Setting up the EMF for Success</b>	<ul style="list-style-type: none"> <li>▶ <b>EMF Operational Expenditure</b> for the continued Executive Team and associated activities such as Promotion of the Freeport.</li> <li>▶ <b>Development of an Operating Reserve for the EMF</b> that provides proportionate capital or cashflow cover for the activities undertaken by the Freeport during the setup and delivery phases.</li> </ul>	<p><b>Value Proposition 1;</b> The UK's best connected freeport.</p> <p><b>Value proposition 5;</b> Contributory role of connectivity infrastructure to wider regional development initiatives in DevCo, IRP, Midlands Engine and Midlands Connect.</p>

How Retained Business Rates will be used to mitigate displacement

Retained Business Rates (RBR) spending has been centred around four key core objectives that align with the EMF value propositions: (i) optimising EMF connectivity and accessibility (ii) increasing individuals with Level 2 and above qualification in the Travel To Work Area (iii) strengthening productivity and turbocharging innovation across EMF target sectors and (iv) setting up the EMF for success. 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 and will turbocharge productivity and innovation in the region. The funds will drive regeneration through job growth and wage uplift triggered by the Freeport levers, and will facilitate a flourishing and innovative cluster around the target sectors.

RBR will be utilised to attract new businesses to the region and ensure accessibility and upskilling to connect the regional workforce with employment opportunities. By increasing the potential for spillovers from tax and customs sites to the local economy, EMF will enhance rather than compete with other growth activities across the region and the wider UK. An intrinsic element of the business rates being retained locally and a crucial aspect of the governance arrangements around allocating retained rates to projects will be to encourage growth and investment from businesses specialising in the EMF target sectors to avoid relocation of business activity from elsewhere across the region and wider UK. Prior to allocating RBR, a rigorous process involving detailed economic analysis will be carried out to ensure additionality. This would involve any use of RBR being determined through approval of a business case, within which the Economic Case would set out the potential for such investment to create displacement and detail the specific mitigations aligned to each risk. Alongside the Tax Site Gateway Review, which will assess new occupiers at tax sites and acquire data for monitoring investment and growth, this will provide protection against displacement.

Retained Business Rates Criteria

Any application for Retained Rates Funding will undergo a two phased assessment approach:

- i) **A Gateway Review:** Each project intending to apply for Freeport Retained Rates funding in any form must satisfy five initial hurdle criteria:
  - ▶ **Infrastructure must enable the delivery of the Freeport objectives;** infrastructure must be aligned to the core Freeport value proposition and offer a strategic rationale linked to Freeport objectives
  - ▶ **Location;** Any project seeking RBR funding must promote the Freeport's objectives within the Freeport geography or wider Travel to Work Area.
  - ▶ **Costing/Phasing information;** The project must be supported by full costing and phasing information which allows the deliverability of each project to be assessed.
  - ▶ **Stakeholder engagement;** Project must identify stakeholder engagement required (internal and external to the Freeport) alongside, most notably any statutory consultation approach.
  - ▶ **Planning information;** Planning and development plans must be well defined and should consider key risks of each project as well as a holistic view of how the project would be implemented.

- ii) **Project Assessment:** For projects successfully through the Gateway Criteria an assessment will be presented to the relevant Subcommittee, such as Infrastructure or Skills, for recommendation to Board against core themes such as:
- ▶ **Assessment of Strategic fit with EMF core objectives;** as per the EMF Value proposition and the five distinct pillars set out in Section 1c. i.
  - ▶ **Viability Assessment;** Determining scale of the project and any contributions, planning policy considerations, project activities, and any core risks to project execution.
  - ▶ **Value for Money and Financial Deliverability;** Evaluating proposed project financing and any match funding, benefits case and any financing risks. This would also evaluate phasing and costing information.
  - ▶ **Subsidy Control;** identification of any controls or risks to subsidy control as defined in the BEIS subsidy Control guidance for Public Authorities.
  - ▶ **Environmental Evaluation including Sustainability and Net Zero considerations;** Understanding scale of Environmental impacts and Net Zero impact of any project as set out in Section 1g.

#### Overall expected value of Retained Business Rates

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) to be used [REDACTED] to deliver regeneration and public infrastructure. This has been considered further in Section 3a. vi. of the Financial Case and Annex R, the EMF Project Pipeline, which includes details around specific projects that will be funded by business rates.

Location	LA Retained (£m)	Freeport Retained (£m)	Total Business Rates Forecast (£m)	No Detriment (%)
Rushcliffe	23	217	239	9.6%
South Derbyshire	22	267	289	7.6%
NW Leicestershire	19	402	421	4.5%
<b>Total operating costs</b>	<b>63</b>	<b>885</b>	<b>948</b>	<b>6.6%</b>

#### Planned Borrowing - Tax Increment Financing (TIF)

Within the current Financial Profile (Section 3a. i.) for the EMF there is not a requirement to forward borrow to finance specific infrastructure projects. This position will be reviewed regularly by the EMF Board, Infrastructure Subcommittee and appropriate stakeholders. In the event specific projects are identified in the early phase of the Freeport delivery, particularly those that will contribute to accelerating benefits or access to the site, EMF is willing to borrow for investment/infrastructure across the Freeport sites and wider travel to work area, where key criteria are met such as;

- ▶ The rationale for investment in advance of sufficient Retained Business Rates available is justified.
- ▶ There is no scope to fund from seed capital, or seed capital conditions are not met.
- ▶ The investment makes substantive contributions to viability of tax and custom sites, or accelerating operational dates.
- ▶ The investment mitigates specific access to sites, where these are not already incorporated into planning permissions.
- ▶ The investment enhances the realisation of EMF objectives or stimulates economic benefits.

If required, as Lead Authority/Accountable Body, Leicestershire County Council will coordinate and undertake borrowing subject to appropriate risk mitigations and security being in place to protect the public purse, considering the CIPFA Prudential Code, the Council's Treasury and Investment Strategy and in accordance with LCC internal governance processes and obligations. Borrowing could be undertaken in conjunction with other partners, dependent on the location of the investment, and the Stakeholder with ultimate operational responsibility.

The principles and the approach to borrowing are detailed in the EMF Articles of Association and Members Agreement. The borrowing will be prudent, and any decision to borrow will be dependent on a strong business case that shows income to payback the borrowing will be available.

#### Governance – decisions regarding the use of retained rates

Expenditure of Business Rates will be governed in two ways:

1. **The EMF Annual Business Plan:** providing the Revenue and Capital plan for the EMF approved by Board. This will outline the overarching funding and financial strategy for the EMF and incorporate work programmes to be funded by Retained Business Rates.
2. **Discrete In-Year Project Proposals:** Where an urgent requirement is identified in-year, an approval route for approving new or additional funding for existing projects.

The EMF Articles of Association and EMF Members Agreement, alongside Terms of Reference for key Subcommittees with influence on Business Rates expenditure, will detail the governance and core processes in relation to approval of Retained Business Rates expenditure.

Aligning to the Freeport Retained Business Rates Fund objectives, the EMF will pool Business Rates within a single pot that has identified workstreams and projects approved by the Board to meet EMF and regional priorities. This eases the decision-making process and reflects that, in many cases, the investment in transport and other infrastructure will benefit all sites in the Freeport given their close geographical proximity

The IRP (Nov. 2021) referred to the Government accelerating plans for a delivery vehicle (EM DevCo) to regenerate the three large opportunity areas, one of which – Ratcliffe-on-Soar – is next to East Midlands Parkway station and close to the second site at East Midlands Airport and Freepport. Establishing the DevCo as such a vehicle with powers will also impact the collection and retention of business rates relating to some EMF sites. Use of business rates generated through overlapping geographies with the EM DevCo will be considered through ongoing discussions between EMF and EM DevCo, and their advisers, as referenced in the FBC Management Case.

#### Operation/Ownership of the EMF Business Rates Project

The billing authorities within which EMF’s proposed tax sites are located have committed to utilising the retained rates derived from the activities within the boundary of the tax site (after allowing for no-detriment) to promote and support the East Midlands Freepport’s objectives. Letters from the billing authorities on the use of retained business rates are included at Annex F.

This includes use of retained rates to fund EMF operational expenditure, including the funding of necessary revenue expenditure incurred through the employment of the East Midlands Freepport’s executive delivery team, evaluation partner and other items as deemed necessary during the course of the delivery of the Freepport.

During the set-up phase, in advance of receipt of retained rates, the Lead Authority will underwrite operating expenditure requirements from a cash perspective. Upon receipt of retained business rates, the Lead Authority will each time retain the right to claim first, full reimbursement for the operating costs that they are incurring in relation to EMF.

### **Customs sites**

#### Customs sites included in the initial Expression of Interest

In its initial Expression of Interest (EOI), EMF proposed three customs sites: East Midlands Airport, the Uniper Ratcliffe-on-Soar site, and East Midlands Intermodal Park (EMIP). At this stage, the Uniper Ratcliffe-on-Soar site is the only site that has submitted a formal Registration of Interest (RoI) to HMRC. The potential Ratcliffe-on-Soar customs site will complement the Ratcliffe tax site in offering a hub for renewable energy production, advanced manufacturing, and advanced logistics.

The table below provides an overview of the proposed customs sites specified in the initial Expression of Interest.

Proposed customs site named in Expression of Interest (EOI)	Proposed for designation	Justification for no longer being proposed
East Midlands Airport	No	Following consultation and research into the Freepport customs regime, it became clear to East Midlands Airport that the airport campus would be unsuitable as a customs site. East Midlands Airport determined it was unlikely to attract the type economic activity and sectoral focus that would benefit from customs levers in order to advance EMF’s value proposition. CSO designation was consequently not commercially viable for East Midlands Airport.
Uniper UK – Ratcliffe-on-Soar	Yes	N/A
East Midlands Intermodal Park (EMIP)	Yes, but at a later stage and subject to market conditions and commercial viability	N/A

#### Operators proposed in the Expression of Interest and associated timescales

Noting that additional sites may be proposed post-operationalisation of the Freepport, the below seeks to provide additional detail on the operators and timescales for delivering the customs sites set out in the EOI.

Proposed Site	Proposed Operator	Registration of Interest (ROI) submitted	Timescales *
Ratcliffe-on-Soar	Uniper UK	Yes	Construction activities are set to begin in 2023, meaning that operational timescales for the customs site will not be in advance of 2024. These timescales are dependent on a number of factors, in particular, planning approval which is not expected to come before late 2022.
East Midlands Intermodal Park	Goodman	No	Goodman are at the very early stages of their development process, and therefore have not submitted an ROI to HMRC.

\* Delivery timescales and site viability are dependent on investor / business operator interest in securing associated customs benefits offered.

### Additional sites to be proposed

It is anticipated that EMF will add additional customs sites post-designation and operationalisation of the Freeport. This may include customs sites and site operators that were not covered under the initial EOI. Through its programme management, EMF has had discussions with HMRC about the viability of proposing additional customs sites post-operationalisation. HMRC has confirmed the following:

*“Prospective Freeports are welcome to propose customs sites additional to those included in the original bid in their FBCs or following FBC submission; the rationale for further sites will need to complete the HMRC Freeport customs site approval process.”*

HMRC has further confirmed that new sites can be proposed post-FBC submission:

*“New sites can be proposed before or after FBC submission, so they can be designated post-operationalisation of the Freeport.”*

In line with HMRC guidance, EMF understands that prospective CSOs must be able to prove that the wider Freeport has endorsed their decision to apply for CSO designation. EMF interprets this requirement as satisfied if there is either official or implicit Board endorsement of the prospective CSO.

At present, EMF expects one site not included in the EOI to apply for designation, detailed below:

Proposed Site	Proposed Operator	RoI submitted	Timescales
East Midlands Airport and Gateway Cluster (Maritime Rail Freight Terminal)	Maritime Transport	No, subject to further discussion and clarification of the Freeport customs site regime with HMRC	Maritime Transport have begun initial conversations with HMRC regarding their interest in becoming a CSO. Maritime’s current vision is to support the Freeport Bidding Prospectus vision for Freeports becoming an instrument to facilitate “customs compliance from the border” (c.f. Section 3.4.11. of the Freeports Bidding Prospectus), and the possibility of establishing an Inland Clearance Depot at the Maritime Rail Terminal which handles daily train services from Ports such as Felixstowe and Southampton. The existing proposal for Maritime to become a CSO has not been accepted by HMRC. Any decision taken by Maritime to progress their interest in becoming a CSO would be dependent on the commercial viability of any proposal that would be able to meet HMRC’s requirements. Further meetings between Maritime and HMRC have been arranged and the result of those conversations may influence Maritime’s decision to progress with CSO status. Should Maritime be in a position to progress with an application for CSO status, indicative timescales for designation and site operation are dependent on the specific requirements for developing a compliant inventory linking system and meeting the security requirements.

EMF is currently in discussions with two further prospective CSOs, however no official registration of interest has been submitted at this stage, nor have these prospective CSOs engaged with HMRC. For that reason, they have not been named in the FBC.

### EMF process for approving new CSOs

In acknowledging the possibility that new prospective CSOs may enquire about CSO status post-operationalisation of the Freeport, the EMF Board has approved a process for endorsing new CSOs, as set out in Section 4b. This process includes a series of steps aimed at screening and verifying new prospective CSOs and ensuring that there is a clear rationale for either endorsing or rejecting a CSO.

Including the Board endorsement process, EMF has identified four key activities that take a prospective CSO through their application for designation, detailed below:

1. Endorsement by EMF Board for CSO Registration of Interest
  - Once a potential CSO has made contact with EMF, the Board should follow the agreed process for endorsing a potential CSO pre and post-operationalisation of the Freeport customs site (set out in the EMF Customs Operating Model and FBC Section 4b).
  - The board will then provide a negative or positive endorsement decision for the potential CSO to submit a Registration of Interest (RoI).
2. Registration of Interest by CSO
  - If endorsed by the EMF Board, the potential CSO should initiate the RoI through HMRC. The RoI process requires the CSO to have an Economic Operator Registration Identifier (EORI).
  - The potential CSO is then assigned an HMRC account manager who will guide the CSO through the application process. This will include support in obtaining the necessary authorisations/standards to apply for CSO designation, including relevant safety and security standards.
  - The RoI is not binding – CSOs who begin the process may withdraw during the process.
3. CSO obtains systems and standards necessary to proceed with application

- Potential CSOs will need to demonstrate that they have the systems and standards in place necessary to comply with the requirements of the CSO designation. This includes the development of an inventory linking system to control the movement of goods into and out of the customs site.
- CSOs proceed towards designation by demonstrating that they meet the required standards to operate a customs site – as judged by HMRC.

#### 4. CSO designated by HMRC

- CSOs will need to meet the required standards as part of the application process, which will include demonstrating that they either hold an Authorised Economic Operator (AEO(S)) authorisation or can meet that standard at site level.
- HMRC will determine whether the CSO meets the standards required to become a CSO. If approved, HMRC will issue the CSO with a designation order, the terms of which the CSO must comply with.

These steps, which make up part of the EMF Customs Operating Model, provide a clear path for CSOs to apply for designation status to HMRC. Through the completion of these steps, EMF is assured that the CSO has taken their obligations seriously and has the necessary processes and systems in place to operate the customs site. The development of such a robust procedure for approving CSOs through to the HMRC application phase should help to ensure that the CSOs can deliver the site and help the wider Freeport and community realise the benefits of the whole offer.

#### Expected end users for the proposed customs sites

Site	Expected end users	Size of expected end users	Relationship to target markets and job generation
Uniper UK – Ratcliffe-on-Soar	The site has received interest from a number of parties, with the majority in the advanced manufacturing sector predominantly associated with the transport sector.	The size of expected end users ranges from regional companies to large multinational businesses	EMF has identified that the main target markets for the site include the advanced manufacturing and logistics sectors. EMF’s modelling predicts that up to 15,665 jobs will be created in the manufacturing sector Freeport wide. It is anticipated that by encouraging businesses within the advanced manufacturing sector to operate within the site will create a ‘clustering’ effect. Attracting businesses of a range of sizes should have a positive impact on this clustering effect whereby businesses at a variety of stages of manufacture can take advantage of the customs site offering and accumulate the duty benefits.
Goodman – EMIP	Unknown at this stage	Unknown at this stage	Unknown at this stage
Maritime Transport – Maritime Rail Freight Terminal	Unknown at this stage	Unknown at this stage	Unknown at this stage

#### How the Freeport customs offer will attract end users

There are two key tenets to the appeal of EMF’s customs site offer. Firstly, EMF’s geographic location that positions it as the only multi-modal Freeport with links to road, rail, and air will be conveyed to business operators / investors as a competitive advantage of EMF. Secondly, the clear articulation of the customs site levers to business operators should increase uptake of the Freeport customs procedure. The combination of these two benefits offer an attractive proposition for businesses with complex international supply chains that require access to GB and export markets. These benefits are articulated in more detail below.

##### 1. **Geographic positioning of EMF customs sites as a competitive advantage for business operators**

Businesses operating on EMF customs sites will have unparalleled access to market through the Freeport’s connectivity options through road, rail, and air, with East Midlands Airport within the boundary of the Freeport. This geographic positioning is a competitive advantage for EMF as it seeks to target businesses in the advanced logistics and manufacturing sectors. There are two key benefits of EMF’s geographic positioning for business operators:

- ▶ **Access to domestic and international market:** Proximity to a globally connected hub offers traders a straightforward and efficient path to get goods to market. Business operators that intend to re-export goods after manufacturing or repair will have proximity to East Midlands Airport within the boundary of the Freeport, as well as access to road and freight connectivity to move goods out of other ports if necessary. Businesses intending to release goods to the UK market will be well positioned to take advantage of road and rail networks to move goods quickly around the UK. EMF is therefore attractive to businesses intending to re-export goods after manufacture or repair and to businesses who intend to process or store goods before releasing into free circulation.

- ▶ **Potential clustering effect through accumulation of customs benefits:** As business operators begin to take advantage of the customs levers, EMF anticipates that a clustering benefit may occur where businesses in the same sector (e.g. advanced manufacturing) begin to invest and expand within the Freeport. EMF’s competitive location contributes to the possibility of this clustering, as comparable / complementary businesses see value in the possibility of shared inputs, knowledge clusters, and faster routes to market.

## 2. Description of Freeport customs site benefits to business operators

In line with HMRC Freeports guidance, EMF CSOs intend to attract business users to invest in the customs site by presenting the Freeport customs levers and administrative requirements compared to existing special procedures. In doing so, EMF customs sites will highlight the following benefits, which will ultimately support HMG’s Freeport objectives:

- ▶ **Duty Suspension:** Duty suspension can allow business operators in the Freeport, particularly those in the advanced logistics sector such as EMIP warehouse occupiers, to mitigate customs duties on goods stored in freeport customs sites. As this lever can act in place of customs warehousing, it will attract inward investment into the customs sites when working in complement with the tax levers. This will improve cashflow for business operators who would not want to undergo a costly customs warehouse authorisation or to pay a third party for use of their customs warehouse.
- ▶ **Duty Flexibility:** EMF will be home to a number of advanced manufacturing businesses operating in freeport sites, and these could benefit from duty flexibility, having the opportunity to choose optimal duty rates upon Import into GB free circulation post-manufacture. Many finished goods have a different duty rate and customs value than their component parts. Being able to pay optimal customs duty, based upon component parts or finished products, will enhance the competitiveness of these GB manufactured products both on GB and foreign markets, and will support job growth and further investment in advanced manufacturing in the region.
- ▶ **Duty Exemptions for re-exports:** Where goods will ultimately be re-exported from the GB market without being released to GB free circulation, the payment of double duties (on goods when imported to GB and imported to a subsequent market) is mitigated by the duty exemption lever. Many larger businesses may access this lever by use of a Customs Warehouse, Temporary Storage, or Inward Processing according to their authorisation; however, such authorisation can be costly and challenging to obtain. Providing the “duty exemption for re-exports” lever to business operators within the Freeport opens this cost-saving measure up to businesses who may otherwise be unable to access these authorisations. Consequently, this could support the journey towards being an export business for early stage or growing businesses.
- ▶ **Simplified Import Declarations:** A standard UK Import declaration has over 40 data elements, many of which can require specialist knowledge to complete and can thus burden importers with costly additional administration. Reducing the data elements required for an import into the EMF Customs sites will allow the innovative businesses there to operate with more agility, reducing their administrative burden and improving their productivity. In particular, this reduced administrative burden will allow businesses to reallocate resources towards innovation and high-productivity roles, driving forward their business operations and the surrounding economy.

As part of its discussions with prospective CSOs, EMF has identified that, in addition to customs levers that may be available through other customs special procedures (e.g. duty suspension, duty flexibility, and duty exemptions), an important benefit is the simplified process for import declarations that save time (and potentially costs) at the border. As part of its appeal to end users, EMF intends to present the time saved at the port of entry as a quantifiable benefit to using the Freeports customs special procedure and thereby an attractive incentive to potential Freeport businesses/investors.

### Benefit identification and quantification

Given the complexity of the advanced manufacturing and logistics supply chains anticipated to situate in EMF Customs Sites, accurate modelling of fiscal impacts of each Customs Site is not feasible. Consequently, EMF, has taken the approach of calculating economic impact through a literature review, and generating sector-specific case studies to illustrate the potential benefits accruing to businesses in EMF making use of the Freeport customs levers. This approach is in line with Freeport Hub guidance.

As set out in the EMF FBC Economic Case, a literature review indicates significant potential cost savings for businesses operating in EMF Customs Sites.

This will be achieved through targeted use of each of the four customs levers set out above. To illustrate potential use of these Customs Levers in EMF’s target sectors, Annex P sets out four case studies, showing the potential impact of customs levers on business operations in the Advanced Manufacturing sector. However, in addition to business-specific operational factors such as import profiles, practical applicability of this benefit (and other levers) will be impacted by three key factors moving forward:

- Availability of FTAs and Rules of Origin therein
- Implications of “No Duty Drawback” FTA clauses
- Evolution of the UK Global Tariff

### Link to value proposition and target markets

EMF’s ability to attract investors to the customs site is linked to its overall value proposition and, more specifically, to the value proposition and target markets of the specific sites. In particular, the Ratcliffe-on-Soar site is expected to generate jobs within decarbonised energy production, advanced manufacturing and advanced logistics. Employment opportunities on the EMIP site will primarily be generated in

advanced manufacturing and advanced logistics, with proximity to the Toyota UK facility anticipated to increase the investment in the automotive sector.<sup>18</sup>

Given the anticipated prevalence of advanced manufacturing within the sites, the potential for accumulative customs duty benefits on the customs site (or ‘clustering’) is an important appeal for potential Freeport businesses/investors. Clustering benefits are particularly important to the manufacturing sector that traditionally depend on global value chains (GVCs) and a high number of materials/inputs for processing. By building a network of businesses operating within the Freeport customs site, manufacturing businesses can potentially mitigate some of this cost by having access to suppliers/end users under a duty suspended status.

## Planning

Noting the flexibility afforded to seaports as a planning lever within the Freeports regime, there is a reduced impact of the Freeport Planning allowances upon EMF, as an inland-only freeport. That said, planning activities in the region with respect to upcoming developments are highly advanced, with many local authorities and site promoters for the proposed tax sites working closely both before and since the publication of the Freeport Prospectus. The planning authorities have developed a good understanding of the sites and the infrastructure planning and environmental constraints that will need to be assessed in order to understand the impact of, and the mitigations for, the Freeport proposal. However, future transport assessment work will be required in conjunction with the Department for Transport and associated bodies to fully understand the impacts of inter-site movements and new traffic generation and, therefore, its impact on the local and strategic highways networks and to develop appropriate access and mitigation measures.

Details of the principal planning needs and activities that will be undertaken to support and enable appropriate development are set out on a site by site basis below.

### Ratcliffe-on-Soar (Ratcliffe) tax site

The local planning authority has designated Ratcliffe as a Centre of Excellence and the site is noted within the current Local Plan for its strong economic development potential. Rushcliffe Borough Council (RBC) intends to encourage redevelopment of the landholding specifically for employment use. The preference and emphasis is on innovation, advanced manufacturing, energy, circular economy, and other high-tech industries, and associated logistics. The planning designations to promote development at the sites are being actively looked at as part of the Greater Nottingham Strategic Plan, which will form part of RBC’s Local Plan and is expected to be completed in 2023. Uniper UK is working with local partners for planning consent to the Planning Authority ahead of, but aligned with, publication of the revised Local Plan. The aim is to facilitate both the Freeport development programme and regional aspirations through an LDO. Individual planning applications, in line with the LDO, are also proposed to ensure rapid delivery of the EMF ambitions. The anticipated build out of the site is between 2023 and 2030 based on the scale of the site and target sector occupiers.

### East Midlands Intermodal Park (EMIP) tax site

EMIP is an emerging strategic rail freight interchange and is identified as a pipeline Nationally Significant Infrastructure Project (NSIP). As an NSIP, the main policy basis stems from the HMG’s National Policy Statement for National Networks, this details the need for the development of such interchanges along with HMG’s policy for addressing that need. Extensive pre-application discussions have taken place in respect of the DCO between Goodman, Derbyshire County Council, and South Derbyshire District Council, focusing on the necessary information required to inform the consultation process and the assessment of the proposals. The Local Authorities have a strong understanding of the site, the key infrastructure, and the planning and environmental constraints that will need to be addressed and mitigated to progress the latest proposals for the EMIP scheme through the DCO process.

### East Midlands Airport and Gateway Industrial Cluster (EMAGIC) tax site

The EMAGIC tax site is within the district of North West Leicestershire. The EMAGIC tax site consists of four key components: SEGRO Logistics Park East Midlands Gateway (SLPEMG), East Midlands Airport developments, the “East Midlands Airport & SEGRO South” site, and a Strategic Rail Freight Interchange (SRFT). As the SRFT sits within SLPEMG, the planning status of the East Midlands Airport, SLPEMG, and SEGRO sites is provided below:

#### *East Midlands Airport Developments*

The North West Leicestershire District Council has already created an appropriate planning environment with an up to date (2017) Local Plan which supports growth and development at the airport. The adopted planning policy recognises the international links that the Airport provides, and it identifies the East Midlands Enterprise Gateway (the Airport and its adjacent East Midlands Gateway) area as a focus for economic and employment activity. The Airport site is identified in the 2017 North West Leicestershire Local Plan and, in line with the National Planning Policy Framework, applications for planning permission should be determined in accordance with the development plan (unless material

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<sup>18</sup> For a full overview of target markets, expected investments, and anticipated job creation, please see the EMF OBC critical actions response document.

considerations dictate otherwise). Some aviation developments at East Midlands Airport fall within the Permitted Development powers within the Town and Country Planning General Permitted Development Order.

### SLPEMG

SEGRO Logistics Park East Midlands Gateway (SLPEMG) is a 283 hectare development with planning consent for up to 6,000,000 sq. ft of logistics accommodation. The land at SLPEMG is immediately available and there are no offsite infrastructure constraints, based on the proposals in the currently consented planning application. Meanwhile, given the growth of trade through Maritime Transport's Rail Terminal since its opening in March 2020, plans are being discussed to substantially expand the Terminal to increase its capacity and capability over the next 5 years.

### East Midlands Airport & SEGRO South

Following formal confirmation of tax site designation, all surveys and design work required to secure planning consent will commence following local planning processes.

East Midlands Airport and SEGRO South have to date held constructive discussions with other development partners and the local planning authority, North West Leicestershire District Council, with respect to the routes and process available for planning.

North West Leicestershire District Council are currently in the process of reviewing their Local Plan, which aims to deliver economic growth, infrastructure development and job creation. These objectives align to the EMF's and proposed benefits to be delivered through the development of this site. The adopted planning policy recognises the international links that the Airport provides, and it identifies the East Midlands Enterprise Gateway (the Airport and its adjacent East Midlands Gateway) area as a focus for economic and employment activity. In line with the National Planning Policy Framework, applications for planning permission should be determined in accordance with the development plan (unless material considerations dictate otherwise).

Discussions with the planning authority have indicated four possible routes towards planning consent for the site:

- Inclusion in the Local Plan (at Substantial Review stage)
- Planning application
- Local Development Order (LDO)
- National Strategic Infrastructure Project planning

An initial review of available options indicates that, while all are feasible, submission of a Planning application for the site is currently considered likely to be the option taken given the time-limited nature of EMF's tax benefits and the need progress a planning application at pace.

The Local Planning Authority is committed to fulfilling their statutory duties in relation to the site, working with landowners to identify potential planning routes and identifying requirements for any planning application. In light of this, the Local Planning Authority are already assessing a submission against employment need under the call for sites (Local Plan process), and will continue to do so as the Local Plan process progresses. The Local Planning Authority are also a core supporting member of the EMF, recognising the value that Freeport designation and future development would bring to the region and the district.



## Innovation

The East Midlands has a strong track record of developing the R&D capacity needed to drive business growth and diversification. The designation of a freeport will accelerate this research and development capability in a dynamic, frictionless and productive environment that integrates innovation from the UK and the rest of the world, thereby supporting the HMG's aim of creating a hotbed of innovation in the East Midlands. The Freeport will look to enhance the already well-established relationships between the universities, major OEMs, key sectors and public agencies within the region.

EMF's Innovation Strategy is predicated upon the UK Research and Development Roadmap's principles of:

- **building on existing and emerging strengths, irrespective of scale**, ensuring that the EMF maximises the benefit of public investment
- **going further and faster** in supporting the EMF regions untapped potential for future growth
- **providing tailored support for less R&D-intensive localities** to develop new capability and absorb new technology and innovations
- **supporting increased collaboration between local, regional and devolved institutions** on science, research and innovation, and ensure a strong role for local civic and business leaders in defining and delivering on local opportunities
- **ensuring that R&D interventions are in concert with wider improvements** made in support of levelling up areas across the UK
- **simplifying our systems and reducing red tape** to lower the barriers to participation so that places which currently secure less research funding can now make a greater contribution to R&D reaping the benefits for the local economy

Further to this, as set out in FBC Section 1g, EMF is active in its support of the HMG's commitment to Net Zero and will provide a strong hub for innovating in Net Zero and beyond, the benefits of which are likely to spill over to surrounding areas, improving mobility, connectivity, and

The EMF Innovation Strategy, set out in detail at Annex L, ensures a coordinated and focused approach to innovation, placing it at the centre of what the Freeport can achieve and at the centre of the East Midlands’ regeneration ambitions. A high-level overview of three pillars of the Innovation strategy is set out below:

**Pillar One: Targeting and Incentivising Sectors Fundamental to UK and EMF Innovation Goals**

EMF’s tax levers support advanced manufacturing and logistics growth – as detailed in the skills and workforce plan, EMF sees future employment prospects in the Freeport to focus heavily on advanced manufacturing, one of seven technology families of UK strength and opportunity cited in the UK innovation strategy 2021.<sup>19</sup> In addition, EMF’s innovation focus and levers will also focus on energy production and low carbon transport:

- ▶ **Energy Production:** The Freeport will be central to stimulating green investment in the East Midlands, driving innovation in the circular economy, energy exchange and decarbonisation through tax measures, opportunities for regulatory engagement and flexibility, and the potential for clustering. The energy hub proposed for the Ratcliffe site offers the potential for low-carbon hydrogen, heat, and power to support decarbonised advanced manufacturing and transport is itself innovative. Moreover, the Energy Research Accelerator (ERA), the largest energy partnership in the UK, strongly believes that freeport designation in the East Midlands will boost energy innovation in the region and will enable cutting-edge energy R&D. The partnership involves eight research intensive Midlands Universities and has secured £60m worth of funding from Innovate UK and a further £120m of private sector investment. Despite already establishing 23 state-of-the-art facilities in the Midlands, the partnership has developed a phase 2 programme in order to enable more cutting-edge research and innovation to take place. A large focus for the upcoming phase is on energy generation, decarbonisation and Net Zero; all three of which are central to the HMG’s main policy aims. Furthermore, the Freeport offers a significant opportunity to help develop this phase 2 programme and help move these technologies through the design process by incentivising businesses in the region to adopt new technologies. Additionally, the ERA’s proposal suggests that it can create close to 7,000 new jobs and bring in an additional £1.5bn to the region, on top of the further £1.4bn of investment in energy by regional businesses.
- ▶ **Low carbon transport:** Supported by its Hydrogen Innovation Zone, the East Midlands region is already market-leading in the development and infrastructure of low carbon transport solutions, ranging from existing sectoral R&D capability and skills growth, to planned infrastructure construction such as hydrogen fuelling stations, and implementation of electric mass transport solutions. The opportunity to develop, test and showcase solutions that decarbonize heavy transport and freight will be enabled by the activities and support levers available within EMF. Enhancing this, an existing pipeline of manufacturing and R&D investments in support of this innovative sector, such as the proposed Gigafactory development in a proposed freeport site and potentially an additional Gigafactory on the Ratcliffe-on-Soar site, will be supported by the EMF levers. Exemplifying R&D in this sector, Maritime Transport is conducting trials to operate the first ever intermodal rail service from its East Midland Gateway Rail Terminal with trains using 100% renewable Hydrotreated Vegetable Oil (HVO fuel), capable of eliminating 90% of carbon dioxide emissions.

Innovation projects will be facilitated by the implementation of tax levers and retained business rates relief. Designation status will allow for increased innovation potential as the available reliefs provide a lower cost environment which should allow businesses to increase their R&D capacity as well as provide a sandbox for trialing new / augmented operations and procedures. EMF has provided an assessment of how tax levers will benefit three potential Freeport tax sites, which can be found in Sections 1d, 1f, 2, and 4a of the FBC. With respect to retained business rates, example workstreams and projects can be found in Section 1. i. of the FBC.

**Pillar Two: Integrating and Amplifying Established Innovation Activity Within the Region**

To achieve its innovation objectives, EMF will look to support and amplify existing innovation activity within the region. This will be achieved by strengthening the already well-established relationships between the universities, major OEMs, LEPs, and key sectors and public agencies within the region. EMF has also identified specific projects that it anticipates forming synergies with, which can be found in Section 5 of Annex L. The following key principles underpin this pillar:

- ▶ **Regulatory engagement:** The East Midlands region will directly benefit from the Freeports Regulation Engagement Network (FREN), which will allow the Freeport region to explore potential innovative opportunities, such as regulatory flexibilities and sandboxes, with firms and regulators. For example, the proposed energy hub at Ratcliffe may benefit from regulatory flexibility to allow smart local balancing of energy generation, hydrogen production and use. As of now, the FREN helps navigate regulatory sandboxes applicable to many of the key industries listed in Section 2b, including: vertical take-off and landing (VTOL), vertiports, and autonomous aircraft technology in the logistics sector; however, there is appetite to expand this to a larger array of industries and applications, including hydrogen innovation and de-centralised energy supply. The FREN will therefore support incoming innovative aerospace investments and developments in the East Midlands region by offering a flexible and dynamic regulatory environment. Engagement with FREN is a key component of EMF’s Communications and Engagement Strategy, with a clear path for aligning engagement between FREN and those innovators who can benefit from their support. Responsibility for this falls to the Innovation, Skills, & Employment Director in the Freeport Executive Team, with a clear mandate to ensure effective engagement with FREN.
- ▶ **Cluster growth support and enhancement:** The East Midlands region is home to an array of growth and entrepreneurship clusters including the numerous incubators and enterprise zones managed by regional LEPs (e.g. LLEP and D2N2). These sites span across

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<sup>19</sup> HM Government (2021). *UK Innovation Strategy: Leading the future by creating it.*

the East Midlands and include LUSEP, Space Park Leicester, the Institute of Advanced Manufacturing, and SmartParc Derby, among others. The primary objective of these sites is to encourage inward investment, provide new markets for existing manufacturers and develop new UK national capabilities. EMF, through the governance structures and stakeholder engagement mechanisms set out in the Management Case, will ensure that there is continued collaboration and synergy between these sites, EMF, site operators, and business operators in order to promote further growth and innovation across the region.

### Pillar Three: Strengthening Regional Innovation Capacity and Promotion

Through Freeport designation, EMF has the convening power necessary to help build a collective response to national and global needs for new, innovative technologies. As well as integrating and amplifying existing innovation opportunities and initiatives within the region, a core pillar of EMF’s innovation strategy is to strengthen regional innovation capacity through its own unique position to develop innovative projects and enable the development of new technologies. EMF will achieve this through the following means:

- ▶ **External stakeholder management and communication:** To ensure that EMF builds a productive relationship with external stakeholders, EMF has developed a stakeholder management and communication strategy detailed in Section 5c of the FBC.
- ▶ **Key proposed EMF innovation projects:** EMF has proposed the development of a Hydrogen Skills Academy (HSA) to be delivered in FY24/25 which aims to be the UK’s first practical, industry-based training centre associated with the production, handling, storage and use of hydrogen. Additionally, the recently approved funding for an East Midlands Institute of Technology will enable critical providing training in engineering, manufacturing and digital skills necessary to strengthen regional innovation capacity.
- ▶ **Governance structure:** EMF’s governance structure, which includes an executive delivery team with Board and subcommittee oversight, will ensure that innovation project development remains at the forefront of EMF’s objectives.
- ▶ **Resourcing:** Execution of the innovation strategy will be managed by an innovation, skills and employment director, ensuring that there is a full time resource responsible for the delivery of this strategy.

The Freeport will accelerate the attraction of cutting-edge manufacturers to the region, thereby reinforcing the East Midland’s position as a hub for innovation. Sitting at the core of EMF’s innovation focused value proposition will be the Innovation, Skills, & Employment Director position at EMF, tasked with ensuring strategic coordination of innovation activities relating to freeport activities, aiming to nurture collaboration and create synergies that drive value.

Furthermore, this includes the creation of a growth hub for the region, creating an incubator that aims to nurture and optimise innovation from SMEs in the region. This aims to both drive sustainable and resilient growth whilst also maximising the innovation benefits that accrue from having SMEs focused on the objectives of the Freeport.

### Trade and investment promotion

EMF is in a unique position nationally as the only inland Freeport in the UK with multi-modal connectivity options through road, rail, and air, with East Midlands Airport within the boundary of the Freeport. This offers EMF with unparalleled access to global trading networks, offering EMF a competitive advantage as an area to invest in. Key target sectors including advanced manufacturing and logistics, situated within proximity of the Midlands logistics corridor, offer clustering benefits that are advanced by the levers of the customs and tax site offering. The combination of EMF’s strategic location and the clustering benefits in the advanced manufacturing and logistics sector offer businesses with complex supply chains a direct and efficient route to market.

EMF has developed a detailed Trade and Investment Strategy that aims to highlight the competitive advantage of EMF in regards to attracting inward investment and global trade. EMF’s Trade and Investment Strategy builds on the plans to attract end users for customs sites (see Section 1d above) through a clear communications and marketing strategy and by clearly outlining intentions to work with regional economic bodies and align with national government objectives. The sections of the strategy are outlined in the table below. The full Trade and Investment strategy can be reviewed in Annex K.

Section	Overview
<b>1. Target sectors</b>	<p>This section provides an overview of four primary target markets (drawn from Section 1b of the FBC):</p> <ul style="list-style-type: none"> <li>▶ <b>Advanced logistics and warehousing</b></li> <li>▶ <b>Advanced manufacturing of motor vehicles, innovative aircraft, and other electrical equipment</b></li> <li>▶ <b>Low carbon &amp; renewable energy production and transmission</b></li> <li>▶ <b>Research and development</b></li> </ul>
<b>2. Competitive assessment</b>	<p>This section provides an overview of competitive position and value proposition, including:</p> <ul style="list-style-type: none"> <li>▶ Brief narrative of UK Freeport regime compared to other regimes</li> <li>▶ Analysis of EMF competitive position / value proposition, highlighting the clustering benefits that may occur from advanced manufacturing / logistics sectors in proximity of the Midlands logistics corridor</li> <li>▶ Reference to unique position of EMF as the only inland Freeport in the UK with multi-modal connectivity through road, rail and air, offering unparalleled connectivity to the rest of the country</li> <li>▶ Explanation of how the T&amp;I strategy complements the competitive assessment</li> </ul>

	<ul style="list-style-type: none"> <li>▶ Identification of shortfalls of value proposition and how these are managed</li> <li>▶ Links to proposed projects complementing the competitive assessment (e.g. Institute of advanced manufacturing, IRP, Mira technology institute, etc.)</li> </ul>
<b>3. Strategic Alignment</b>	<p>Alignment with HMG policy and regional / local economic development policy. To that end, we have created a table highlighting the policy type and name, and how the EMF T&amp;I strategy adds value to policy objectives. Specific policy cited includes:</p> <ul style="list-style-type: none"> <li>▶ <b>Freeport programme policy</b> – particularly establishing national hubs for global trade and investment</li> <li>▶ <b>UK trade and investment policy</b> – export strategy</li> <li>▶ <b>Wider HMG policy objectives</b> – Net Zero Strategy</li> <li>▶ <b>Regional economic development and trade and investment policy</b> – D2N2 international trade strategy; LLEP East Midlands Freeport Strategy</li> </ul>
<b>4. Stakeholder landscape</b>	<p>With reference to EMF’s communication and stakeholder engagement strategy, this section provides a detailed overview of the stakeholders engaged directly in the trade and investment strategy, including:</p> <ul style="list-style-type: none"> <li>▶ <b>External support networks</b> – primarily DIT through investment support and trade and export support services</li> <li>▶ <b>Freeport affiliated teams</b> – LEP international trade strategy alignment</li> <li>▶ <b>Regional investment bodies</b> – Midlands Engine</li> </ul> <p>Part of this section includes a “<b>Stakeholder support overview</b>” table, including stakeholder name, strength of engagement / commitment, trade and / or investment focus, and support offering.</p>
<b>5. Support model and strategy delivery</b>	<p>This section is broken down as follows:</p> <ul style="list-style-type: none"> <li>▶ <b>EMF communication strategy</b>, with reference to expected outcomes / outputs for trade and investment promotion</li> <li>▶ <b>Delivery governance</b>, with reference to the EMF governance structure that makes clear that the T&amp;I strategy will be delivered through the adoption of a clear protocol to manage and respond to all queries from external parties. This includes an overview of EMF’s enquiry management process, as set out in the FBC</li> <li>▶ <b>EMF roles and responsibilities</b> for delivering the trade and investment strategy. This section provides a RACI matrix for delivery of the T&amp;I strategy which includes the following EMF teams: the EMF Board; EMF Board sub-committees; Executive Delivery Team; Customs Site Operators / Land Owners</li> <li>▶ <b>Resources, roles and responsibilities</b> critical to the implementation of the T&amp;I strategy, including: marketing manager; and innovation, skills &amp; employment director;</li> </ul>
<b>6. Complementary projects</b>	<p>This section highlights a number of complementary projects and existing initiatives with links to the T&amp;I strategy and objectives (e.g. manufacturing research centre Midlands; EMERGE facility; EMIP hydrogen station, etc.)</p>
<b>7. Trade and investment project plan</b>	<p>This section links to the project plan that can be found in Section 5e of the FBC, which includes key milestones and interdependencies for the communications &amp; marketing workstream for which T&amp;I falls under.</p>
<b>8. Governance</b>	<p>This section links to the governance structures set out in Section 5 of the FBC and the inclusion of the T&amp;I in the governance structure at both set-up and delivery phase. The section provides an overview of the relationship key stakeholders have within the governance structure in relation to the delivery of the T&amp;I strategy, including:</p> <ul style="list-style-type: none"> <li>▶ Executive delivery team</li> <li>▶ Subcommittee structure</li> <li>▶ How DIT feeds into EMF governance structure</li> <li>▶ How the LEPs feed into the EMF governance structure</li> </ul>
<b>9. Monitoring and evaluation</b>	<p>This section details how monitoring &amp; evaluation of the implementation of the T&amp;I strategy will take place. This is largely detailed through the role of a monitoring and evaluation partner, responsible for submitting an annual report to the Board covering an assessment of trade and investment into Freeport sites and an assessment of external engagements / initiatives.</p>

In addition to the Trade and Investment Strategy set out in Annex K, further detail of the DIT’s role in the EMF team structure and DIT involvement in the marketing and communications strategy and enquiry management protocol is provided in FBC Section 5b and 5c respectively.

## Skills and workforce development activity

Like many ex-primary industrial regions, the East Midlands has seen a polarisation of its workforce, with high concentrations of the residents engaged in either low- or high-skilled work, in part due to the growth in the region's healthcare sector, advanced manufacturing and the success of its numerous research-intensive universities. This trend is highlighted in many of the Skills Advisory Panel Local Reports across the East Midlands; these argue that a contracting manufacturing sector tensioned against strong overall growth in the science and engineering fields and a lack of local upskilling opportunities will pose a risk to the development of the region's local labour market in the future, and retention of talented people. The skills and workforce development plan provided as Annex K includes a detailed current labour market analysis, drawing on local skills reports in the region to identify three skills gaps priorities: 1) high concentration of lower-skilled workforce; 2) Underdevelopment of digital skills base; and 3) science and low carbon technology.

The Freeport is an opportunity to remedy these issues and capitalise on the existing strength of skills development activities in the region, using new governance structures and freeport levers to enhance the existing collaboration across the key stakeholders in the East Midlands such as local FE and HE establishments, corporations, and LEPs. Adding to these stakeholders, freeport partner East Midlands Airport includes training centres at their existing site with potential to expand apprenticeships and craft skills training. Further, the EMF Seed Funding will be used to further develop a Hydrogen Skills Academy, as outlined in Seed Capital Section 1d. i.

It is key that the Freeport assesses the impact of the inception of the development upon the local population, so as to most effectively support regeneration, job growth, and the communities impacted. EMF has identified that some workforce trends, such as the tight labour market in the contract manufacturing sector, may impact business success within the Freeport and wider region, and consequently has focused Skills efforts such as the proposed Hydrogen Skills Academy to mitigate this. EMF has also identified that access to employment is a key facet of the regeneration agenda, and consequently will make use of a series of proposed intra-regional transport development initiatives such as new bus services and cycle routes, as set out in the Freeports Seed Capital section, Section 1d. ii., and Section 1d. iii. This is discussed in further detail in Annex K, which details the expected job creation, target sectors, and timelines, and also discusses the ability of the local labour market to meet the increased demand arising from Freeport job growth. In line with this, EMF views engagement with local employment support and the education market as pivotal to the success of the skill and workforce development activity. In particular, EMF intends to regularly connect and promote employment needs through the East Midlands Chamber of Commerce, Local Jobcentre Plus, Work Coaches, and Youth Employability coaches.

In addition, marginalised and disadvantaged groups have been given particular consideration in the skills development efforts in the region, as evidenced by the Equalities strategy section outlined in Section 2h.

The proposed Hydrogen Skills Academy will complement the existing Government training offerings in an effort to ensure that all sectors of the population have the ability to upskill themselves or cross-train into relevant and emerging sectors and become productive contributors to the local economy. Many of these training offerings have been outlined in the Skills for Jobs white paper, including: the creation of a Skills and Productivity Board that has up-to-date information on the labour market and skills gap, the £2.5bn National Skills Fund to support adults to up- and re-skill, the expansion of the Institutes of Technology programme to improve higher level technical skills in STEM, the continued roll out of T Levels for students preparing for technical studies, apprenticeships and Higher Technical Qualifications, and the implementation of the Lifelong Loan Entitlement scheme. The HSA is linked to a range of strategic government, LEP and private sector initiatives such as the 2021 UK Green Jobs Taskforce, UK Hydrogen Strategy and the Midlands Engine Growth Action Plan. The 2021 UK Green Jobs Taskforce report identifies that carbon-intensive sectors will likely shrink due to the reduced dependence on fossil fuels across society. By providing critical skills development in hydrogen technology, the HSA is supporting the transition to Net Zero through investment in skills, forecast to be a £13bn industry in the UK by 2050<sup>20</sup>.

Furthermore, local training programmes which will support the EMF's plans for skills and workforce development activity have been assessed. These include: the Way2Work scheme in Nottingham, which provides a targeted approach to engage individuals that are geographically disconnected to labour markets; the iProgramme DBC Training, which provides training in digital skills to unemployed and inactive individuals; and the Skills Support for the Workforce and Redundancy Serco, which supports employers to develop individuals to full intermediate, technical and higher-levels skills gaps and shortages.

Successful development of EMF sites, including Ratcliffe, would give the additional benefit of a "bumpless" transfer from existing employment to new sustainable roles, minimising the potential socio-economic disruption of the transition.

The full skills and workforce development plan can be reviewed in Annex K.

### 1d. ii. Wider Interventions

The Freeport is strategically placed to support and derive benefit from a number of planned interventions in the region, which specifically supports the acceleration of development in target sectors identified in FBC Section 2b.

**A "long list" of confirmed projects (over £1m investment value) and accompanying details and analysis can be found in Annex R.**

Outlined below are five key current investments in the Freeport and wider economic area which that are expected to generate significant synergies with the EMF. The three projects are highlighted due to their alignment with the Freeport objectives; they encourage investment

<sup>20</sup> Department of Business, Energy & Industry Strategy (2021). *UK hydrogen strategy*. [UK hydrogen strategy - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/uk-hydrogen-strategy)

and innovation in key sectors, incentivise upskilling and cross-skilling among the local community, and support growth strategies by improving rail connectivity between the Freeport and the rest of the country.

Investment Description	Strategy/ Objectives	Investment Value	Expected Outputs	Funder(s)	Delivery Timescales	Geographical Scope	How does the investment support the Freeport to realise its objectives?
<b>East Midlands Institute of Technology (EMIoT):</b> Levelling up workforces with the right skills	Levelling up the critical engineering, manufacturing, construction, and digital skills needed to address clean growth, net zero and the green and digital revolution.	£13m	The EMIoT will collaborate with global employers based within the region such as Rolls Royce, Toyota, Alstom, Uniper UK, Fujitsu and Bloc Digital, to strengthen advanced manufacturing skills in the region.	D2N2 (linking with the D2N2 Hydrogen Taskforce), Department for Education	Delivering	Derby University, Loughborough University, Derby College Group and Loughborough College	Delivers high levels of newly skilled workers in sectors which are complementary to the developments on the Freeport. Will further form a complementary and supporting relationship with the Freeport in terms of skills progression, and potentially governance.
<b>Infinity Park Derby:</b> Infrastructure supporting business park with focus on advanced manufacturing and logistics	Enhance advanced manufacturing and logistics capabilities through clustering effects	£31.5m	4,500 jobs	D2N2; Derby City Council	Delivering	Derby	The site brings together multiple advanced manufacturing businesses on a site close to the Freeport and is working to cluster these businesses.
<b>Institute of Advanced Manufacturing:</b> Site supporting research partnerships and new developments in advanced manufacturing	Improve regional advanced manufacturing capabilities through the development of a new site focused on R&D	£23.1m	260 Jobs and research programmes	D2N2, University of Nottingham	Delivering	Nottingham	The project works with advanced manufacturing companies to develop new technologies and therefore become more innovative and productive in sectors which are complementary to
<b>HyDEX Initiative and knowledge exchange:</b> Building business,	Accelerating the development and viability of new hydrogen products and	£5m	HyDEX will make available to businesses in EMF and regionally university	Research England, UK Research and	Delivering. Three year programme up to 2024.	Midlands	Facilitates greater knowledge sharing with local partners, allowing for upskilling of staff and stimulating

<sup>21</sup> Reflecting DfT grant towards development of growth strategy – total HS2 and IRP

industrial and manufacturing sector in Hydrogen	associated intellectual property, strengthening the transition to hydrogen and facilitating required training and reskilling.		partners' £111m worth of hydrogen facilities, large scale demonstration programmes, and research capabilities.	Innovation (UKRI)			and meeting industrial demands for hydrogen skills.
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In addition to these projects, key existing projects with which synergy will be achieved include industrial zonings and FDI locations such as Space Park Leicester, which will support the next generation of innovation and scale manufacturing in the field of commercial space access in the region, as well as Infinity Park Derby, which is an industrial cluster driving innovation in the advanced manufacturing, nuclear and logistics sectors. Further supporting these freeport-connected innovative industrial clusters are the significant number of local skills hubs, such as the Automation and Robotics Training Centre, Derby College Technology Hub, and Digital Advanced Manufacturing and Engineering Centre. Each of these, alongside the other skills and research initiatives in the region will provide employees with skills capable of driving innovation forth across the EMF, as well as mitigating the existing skills gap in the region. Further details of these, and other applicable projects can be found in Annex R.

### Other Government initiatives

The East Midlands will be a beneficiary of £175m of funding as a result of HMG's Towns Fund. This will have a transformative effect across the region, delivering funds to facilitate site redevelopments and investments in business hubs, new public services, and infrastructure to connect the workforce to public transport. As an example, the £30m Automated Distribution & Manufacturing Centre (ADMC) in Ashfield District Council delivered using the HMG's Towns Fund will support the adoption and integration of new automated technologies across the region. These investments will facilitate workforce growth in the region, some of which will be driven by businesses situating in the EMF.

In addition to this, HMG has also awarded a total of over £750m of local growth funding to LEPs in the wider East Midlands region from 2015 to 2021, with approximately £400m of this being provided to LLEP and D2N2, the primary LEPs in the Freeport region. This has supported major capital projects, including the aforementioned Automation and Robotics Training Centre and the Smart Wireless Innovation Facility (SWIFt) at Nottingham Trent University's Clifton campus. These complementary initiatives will support skills growth and innovation in the region in synergy with EMF.

Meanwhile, DIT have recognised Leicester and Leicestershire as a High Potential Opportunity (HPO) area for investment in Life Sciences – Rehabilitation, and Connected and Autonomous Mobility (CAM), providing extensive funding to promote opportunities to foreign investors to increase inward investment into the area in high technology and advanced manufacturing.

Nottinghamshire, Derbyshire, and Leicestershire County Councils are also in the process of supporting HMG's implementation and delivery of the Community Renewal Fund to projects in the region, and synergising this with funds received by local universities and other institutions from the UK Shared Prosperity Fund, are maximising the opportunities available and bringing investment to the east midland's region, supporting the UK's Levelling Up agenda.

Further to development funding, given the historic low levels of R&D funding in the region, access for partners to innovation funding is key to EMF's plans for growth across all target sectors. For example, in low carbon & renewable energy production and transmission, the Energy Research Accelerator (ERA) partnership has secured £60m worth of funding from Innovate UK and a further £120m of private sector investment, enabling cutting-edge research and innovation to take place over and above the existing industry-leading activities (as per 1di).

As a result of EMF's attributes and accompanying projects, EMF is well placed to reinforce the Midlands Engine's efforts towards the HMG's "ten-point plan for a green industrial revolution", supporting industry leaders across HMG target sectors, particularly low carbon hydrogen, zero emissions vehicles, green public transport, jet zero.

### Local strategies

The Freeport is an integral component to a number of local strategies. For example, development of the Ratcliffe site is an active part of Rushcliffe Borough Council's Local Plan, forming part of preparations for the Greater Nottingham Strategic Plan. The Greater Nottingham Strategic Plan, among other aspects, accounts for improvements to public transport ranging from [redacted] further extensions of other public transport modes, thus supporting Transport infrastructure and usage by maintaining and improving connectivity to and from the Freeport. Meanwhile, hydrogen developments on the EMAGIC site, which is within the International Gateway area that is included in the Leicestershire Strategic Growth Plan (2018), and the EMIP site are anticipated to form part of the East Midlands Hydrogen Innovation Zone. These developments have been identified as critical for building the region's hydrogen capability and thus supporting future sustainable energy generation efforts, whilst supporting the ongoing pursuit of HMG's Net Zero Agenda.

In addition to innovation and development strategies, EMF is targeted to align with local skills strategies. To address the skills shortages outlined in Section 2b, which includes a lack of digital literacy among the local population and an increasing demand for skilled occupations in science and engineering, the EMF will leverage local initiatives that align with the national objectives set out in the HMG's white papers and national skills programmes. This includes supplementing outputs of the HMG's National Skills Fund, as outlined in Section 2d. i., with local interventions such as the iProgramme DBC training, helping unemployed and inactive individuals re- and up-skill, improve efficiencies and support business productivity. Moreover, in line with HMG White Papers, the East Midlands Freeport will give employers a central role in its skills strategy so that they are able to collaborate with local and national stakeholders and develop new Local Skills

aligning with the technical skills needed in the local labour market. Finally, the EMF will ensure that its local labour force has access to the newly developed Hydrogen Skills Academy, detailed in Section 2d. i., as well as HMG funding such as the Lifelong Loan Entitlement scheme. Additionally newly trained Hydrogen related staff will then be able to advise and assist local Freepport businesses and drive change towards net zero and decarbonisation, enabling the transition process to take place faster. These local strategies and agendas help enable funding to regional public bodies and educational institutions who can subsequently provide synergies through additional regional development and upskilling.

For any as-yet-unconfirmed investments or initiatives, should they be delayed or cancelled this may further delay Freepport development and accompanying benefit realisation. Failure to deliver the local skills strategy propositions would reduce the effectiveness of regional job growth and upskilling efforts. Moreover, any delays may further negatively impact Net Zero ambitions supported through developments on all sites. Any delays to other local connectivity programmes would suspend benefit realisation for local businesses and potential new occupiers of the Freepport site. This may widen financial and economic imbalances which in turn would make the leveling up challenge ever greater.

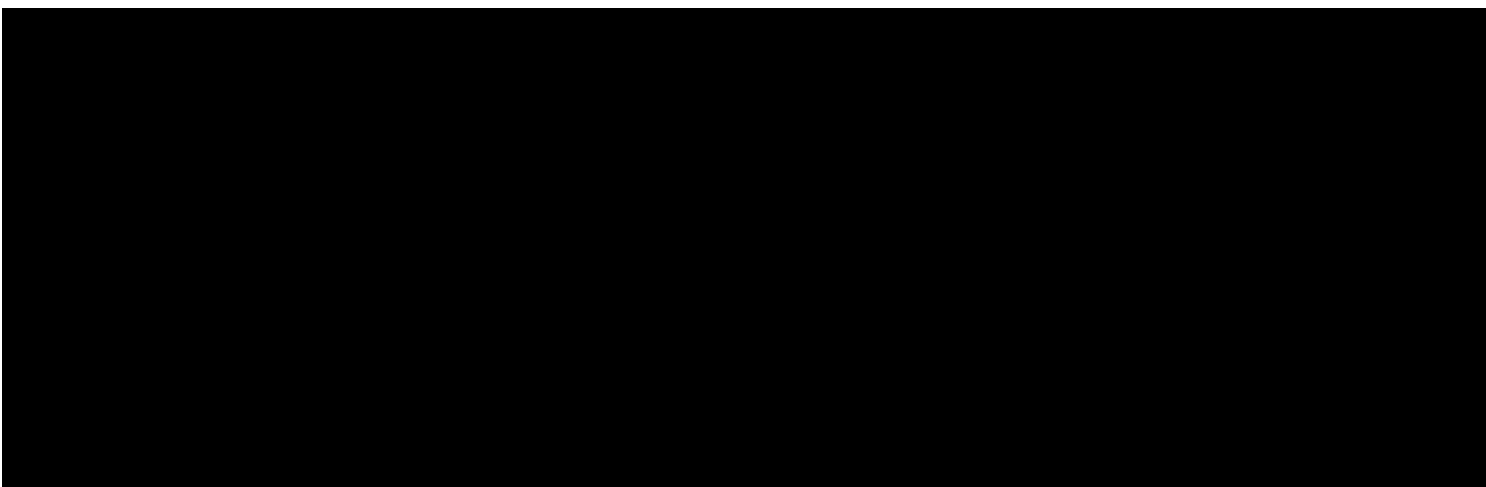
### 1d. iii. Project Pipeline

Further to the complementary nature of EMF to the exciting body of existing investments and initiatives in the region, a number of upcoming projects will also combine positively with the Freepport. The designation of EMF will drive an agglomeration effect that in term will augment other business cases in the region and contribute to the overall regional economic package. **A “long list” of pipeline projects (over £1m investment value) has been supplied at Annex R.**

Relevant projects include highly significant skills and R&D projects such as the Manufacturing Research Centre Midlands, which will further boost innovative technology and skills growth in the region. In addition, major energy generation and supply projects such as EMERGE will enhance the possibility for sustainable energy generation, logistics, and freight industrial growth both in the tax and customs sites and wider region.

Details of these three example projects are provided below with each of these evidencing significant alignment with other local initiatives.

Project Description	Strategy / Objectives	Estimated Cost (capital)	Expected Outputs	Funding Status	Target Delivery Timescales	Geographical scope	How would the investment support EMF realise its objectives?
<b>Manufacturing Research Centre Midlands:</b> Development of a new advanced manufacturing research centre on the Infinity Park EZ site	The research and development facility will provide c.4,300m2 of new floorspace dedicated to research and development, which will support productivity growth and sustainable practises within the manufacturing sector and help to position Derby and the wider D2N2 region as a key advanced manufacturing and innovation hub for the UK nuclear centre and beyond.	£16.25m	75 New Jobs and multiple KTPs and research opportunities	Possible funder identified. Over £9m of funding awarded to Derby City Council (£6.875m from its 'Getting Building Fund' and £2.2m from its 'Growing Place Fund')	Started on site September 2021	East Midlands	The project will aid local businesses and potential new occupiers of the Freepport site to take part in research and development activities at a specialist site in close proximity by delivering R&D opportunities for supply chain and OEMs.



<p><b>EMERGE:</b> Energy recovery facility (ERF) located at the Ratcliffe-on-Soar power station site</p>	<p>The development of an energy recovery facility at the Ratcliffe-on-Soar power station site – known as the East Midlands Energy Re-Generation (EMERGE) Centre. The facility would generate energy from non-hazardous domestic and commercial waste left over from the recycling process.</p>	<p>£330m</p>	<p>Anchor project for site energy hub supporting inward industrial investments on site, supporting reduced carbon footprint, and delivering up to 600 temporary construction roles and 45 permanent jobs once operational</p>	<p>Request made/Possible funder identified. Funding application submitted June 2021. Expected financial investment decision by Q4 2022.</p>	<p>Expected 2026</p>	<p>Ratcliffe-on-Soar</p>	<p>Job growth delivered through net zero ambitions supported through the redevelopment of the coal power station site. Also an energy hub, delivering on-site sustainable energy solutions available to freepport businesses with complementary mix of electricity from EFW, renewables, energy storage in addition to the provision of heat and hydrogen.</p>
<p><b>EMF Transport Mitigation Projects:</b> Package Two (AECOM/LCC)</p>	<p>Package focusses on improving the transport network around Kegworth to enhance capacity in the surrounding area and indirectly address congestion at M1 Junction 24/24a.</p>	<p>£85m (midpoint cost estimate)</p>	<p>To reduce vehicle flow increases and minimise congestion delay in hotspots surrounding the EMF.</p>	<p>Further planning to be undertaken to determine funders for each mitigation area.</p>	<p>To be reviewed in 2022 following FBC submission</p>	<p>East Midlands and Wider Freepport Area</p>	<p>Supports and enhances transport connectivity/ infrastructure within EMF area, reducing local travel times and contributing to the future development and accessibility of the Freepport.</p>

These projects are only a small subset of the wider, strong pipeline, which includes projects such as proposed transportation infrastructure and service initiatives to improve intra-freeport connectivity by providing additional road, cycle, bus, and rail infrastructure, improving the flow of freight and workforce into and out of sites such as the EMIP tax and customs site. Details of these, and other strategically significant projects are provided in Annex R. More detail on the Transport Mitigation Outcomes has also been provided within Section 2b. ii of the

Further to these in-region developments, freeport partners are looking further afield at development opportunities which can influence the region. Illustrating this, as a potential framework for site delivery, Toyota’s Woven City concept which aims to build a sustainable eco system for the future could be adapted and tailored at the EMF to reflect the region’s characteristics. This approach has the potential to secure the site as a wider test bed for innovation and effective land use whose infrastructure and built pattern will reflect the aims of the uses developed on site, and as part of Toyota’s Mobility Foundation, budget has already been secured internally to develop a local scenario of the Woven City concept for the EMF Derbyshire region, entailing collation of local data on various targets for CO2 reduction targets of particular markets (energy, industry & mobility) and information on climate.

## 1e. Outputs and Outcomes

### 1e. i. The outputs (benefits) that the Freeport activities detailed at 1d will generate and how

As set out in the Logic Model (Annex A), the levers discussed in Section 1d will deliver beneficial outputs to the region and to the wider nation. A high-level overview of how the benefits set out in the Logic Model are expected to be achieved is set out in the table below, categorised by theme. **A more detailed overview of how each of the indicative outputs will be delivered through the Freeport can be found in Annex K.**

Category of Benefit	Lever supporting delivery
Infrastructure	EMF deliver Infrastructure improvements in the region through a combination of Seed Capital Funding; its business rates retention scheme, where Local Authorities have the autonomy to spend public monies on more targeted local initiatives; its trade and investment strategy; and the availability of ECA and SBA in the tax sites. Moreover, these levers will complement the existing initiatives including: HS2, the IRP, the EMIP railhead development, expansion of the EMG Maritime Railway Terminal, and highway schemes in Leicester and Leicestershire.
Investment and Trade Support	The trade and investment strategy will coherently express investor value propositions and investor engagements, whilst placing a specific focus on supporting trade for the SMEs operating within the region. Additionally, the customs sites will allow businesses operating there to access duty suspension and a simplified import declaration and customs procedures in order to further facilitate trade and attract investment.
Skills and Training	EMF will ensure that there are regional skills academies and training courses situated across the region to upskill the local workforce and minimise the skills gap present in many of region’s local authorities. Furthermore, EMF will work with local stakeholders so that there is an alignment between the training courses offered and the skills needed in the region.
R&D Investment	EMF will target the advanced manufacturing and R&D investment sectors, specifically, by offering Enhanced Capital Allowances (ECAs), zero rate of NICs for employers, duty flexibility and exemptions, and by providing upskilling opportunities for the local workforce through the Hydrogen Skills Academy.
Net-Zero and Decarbonisation	The combination of the East Midland’s Hydrogen Skills Academy and Innovation Zone, Seed Capital Funding spent on green hydrogen infrastructure, and the Uniper Ratcliffe energy hub, which will generate and supply low-carbon energy to industry at the site and which has longer-term carbon-negative options, will support the East Midlands region in its Net-Zero and decarbonisation goals.

### 1e. ii. How these outputs constitute additional value that would not be realised without the Freeport activity

The East Midlands economy is forecasted to expand by 25% over the next 10 years, from £68bn in 2020 to £86bn in 2029. Whilst this growth figure is substantial, it lags behind that of the UK’s economy as a whole, which is expected to grow by 27% over the next 10 years to 2029. Helping the East Midlands to bridge this gap, the EMF will bring additional value to the region that will accelerate regional GVA growth.

As set out in the methodology section of the Economic Case, the EMF proposal considers and effectively manages the extent to which value generated by the inception of the Freeport in the region is additional and mitigates displacement of existing UK economic activity. In summary, the EMF has considered several key factors, including: leakage, how much of the benefits fall outside the target group; displacement, whether increased activity in the region is offset by reduced activity elsewhere; multiplier effects, the additional activity associated with increased local income; and deadweight, the amount of value that would have been created without freeport designation.

Moreover, given that the specific sites within the EMF will all focus on separate activities, there will be little overlap between the sites, further decreasing the chance of displacement. Moreover, by increasing the potential for spillovers from tax and customs sites to the local economy through the use of transport infrastructure, codes of conduct set up by the governance board, and supply chain mapping, EMF will ensure to enhance, rather than compete with other growth activities across the region and the wider UK. Finally, through skills initiatives and improving the collaboration between universities and other major stakeholders, the EMF can ensure that the economy’s growth can be accessed by the local population, thereby decreasing the risk of leakage. More detail on the additional value delivered by the EMF can be found in the wider impacts section of the Economic Case.

### 1e. iii. How these benefits enhance and/or address any shortfalls in the Freeport's value proposition

As requested by DLUHC, Section 2c sets out three identified shortfalls in the EMF value proposition, these being: intra-site transport infrastructure availability, certain skill areas, and a disparity in regional governance structures. The EMF proposal, however, through lever deployment and access to complementary initiatives, mitigates these shortfalls effectively.

Any existing shortfalls in intra-site transport infrastructure availability are being mitigated by a series of strategic developments in the region. These include rail developments such as Midland Mainline Electrification as set out in the IRP, planned freight railhead development at the EMIP site, and further developments at the SRFT – as well as highway developments such as the A50 bridge and junction improvements and further developments to the A511 in Leicestershire. Furthermore, site transport developments such as EMIP cycle routes and future bus routes are developed to enhance workforce access to the sites and highway developments.

While there are skills gaps identified in the region, the delivery of various skills-focused interventions, as set out in Section 2d, will help to close the skills gap and facilitate access to an adequately skilled workforce for the incoming business investors to the sites and wider region. The Freeport itself will support the further development of, the Hydrogen Skills Academy (both c.f. 1d), further complementary regional initiatives such as the Rolls-Royce UTC and Institute of Advanced Manufacturing, and the Mira Technology Institute, as well as collaboration with existing local higher education providers. Complementing these, recruitment initiatives such as those supported by the D2N2 ESF programme will facilitate the connection of job seekers to vacancies, further reducing any skills shortages which may arise.

Finally, EMF is creating a means to conjoin and connect leadership in the region, consequently helping to reduce the scale of disparity amongst the existing regional governance structures driven by a diverse spectrum of county councils, district councils, city councils, development programmes, and LEPs operating in the region, managing differing local needs across their respective jurisdictions. In the Freeport context, this is supported by a robust internal freeport governance structure, covered in more detail in the FBC Management Case.

### 1e. iv. How interventions will complement each other to maximise outputs

EMF is well placed to capitalise upon extensive synergies between its pre-existing regional assets, proposed freeport levers and investments, and complementary interventions in the region. Furthermore, EMF will complement the remainder of the UK freeport regime, delivering a nationwide freeport hub, connecting and enhancing coastal freeports across the country.

Within EMF, levers will complement each other to support HMG's freeport objectives. As set out in Section 2c, to deliver additional Trade and Investment in the region, the inception of tax sites will combine with enhanced infrastructure supported by seed capital, as well as EMF's existing credentials in logistics and freight, to produce a compelling value proposition for advanced logistics and manufacturing businesses looking to invest in the region. Meanwhile, the trade and investment support in cooperation with DIT will further enhance this value proposition, and this support, when combined with facilitative customs regimes, can reduce frictions for businesses looking to export and import into the region.

Meanwhile, access to work for local residents will be supported by investment and job growth in the sites and surrounding region, as well as improved transport infrastructure which will provide streamlined access to the sites. This is to be facilitated by the complementary development initiatives in the region including DevCo, Midlands Engine, HS2 and the IRP. EMF will also enhance connectivity between Freeport sites and target areas for regeneration and job creation, enabled through investment in infrastructure that will improve public transport. Further complementing this improvement for the local population, the skills programmes complementary to the Freeport will upskill potential employees for the new vacancies, and the regional recruitment initiatives and coordination between LEPs and private sector partners and investors will support access to the vacancies for employees.

Innovation levers in the region such as FREN engagement will also complement investment and R&D activity in the region, driving sectoral economic clustering. With the goal of supporting the UK's Net Zero ambitions, much of this activity will focus on renewable and low carbon energy generation, and this will synergise with the aforementioned innovation levers with existing local assets and expertise in the field of power generation, such as that held by Uniper UK.

### 1e. v. The geography of benefit, including how the benefits will spill out from tax, customs, and investment sites to the wider freeport geography and sub-region.

As set out in the Economic Case (Section 2), outputs resulting from the Freeport will provide benefits across the East Midlands region and beyond. Within the Freeport tax and customs sites, it is forecasted that a peak of 28,900 jobs may be generated during the period of modelling (totals of 12,900, 9,200, and 6,800 jobs being directly generated at Ratcliffe, EMIP, and EMAGIC sites, respectively). The travel to work area for these vacancies is large due to the strong transport infrastructure in the area, and consequently it is anticipated that residents across the East Midlands, including those in areas of deprivation, will be able to access these roles. In addition to this, in the wider region, it is forecasted that the effects of clustering and lever availability outside of freeport sites (such as innovation and trade and investment support) will generate a further 32,100 jobs through investment attraction, supply chain reshoring, SME growth.

Supported by the additional roles, productivity benefits are anticipated to also arise across the region. As set out in the Economic case, GVA growth of £3.9bn is expected within the tax and customs sites (totals of £3.2bn, £0.4bn, and £0.3bn being achieved at the Ratcliffe, EMIP, and EMAGIC sites, respectively). Meanwhile, the modelling indicates that as a result of EMF, the wider East Midlands region could see an additional £5.0bn of productivity growth over a 30-year appraisal period.

Further benefits (additional to job creation, investment, and productivity) will also be achieved, as set out in the following section.

## 1e. vi. The outcomes that freeport benefits will help realise and how these connect to the HMG's three policy objectives

As outlined in Section 2a, EMF is in a strong position to deliver upon HMG's three freeport policy aims of promoting national hubs for trade and investment, creating a hotbed for innovation, and delivering regeneration and job creation.

The Freeport logic model (Annex A) and Economic Case (Section 2) illustrate the outcomes which will be achieved by EMF, and how these will support the Freeport policy objectives. It is recognised that these outcomes are a key part of the performance evaluation of the Freeport, and consequently it is anticipated that these outcomes shall be specific, measurable, achievable, realistic, and time-bound.

A high-level overview of the anticipated outcomes supporting each objective, and their measurability, is provided below:

### Objective 1: National hubs for Global Trade and Investment

As a result of the investment value proposition of the Freeport, it is anticipated that in excess of 20 high quality businesses operating in the EMF's target sectors will invest in freeport tax and customs sites, and further businesses will increase investment within the region. The number of businesses investing in the Freeport sites will be monitored by EMF, while significant investments outside freeport sites will be monitored in conjunction with DIT, who maintain regional investment pipelines.

The Freeport will result in increased trade volumes through the port, both import and export, as a result of the facilitative customs regime, trade and investment support, and investment into the region. Increases trade volumes will largely be drawn from four primary target sectors: advanced logistics and warehousing; advanced manufacturing; low carbon & renewable energy production and transmission; and research and development. Trade will be incentivised and enabled by the customs site levers and EMF's geographic location that offers unparalleled connectivity to domestic and international markets. Measuring the increase will require cooperation with HMRC as part of the customs policy development.

Forming part of the increased trade volumes, it is forecasted that new Exporters from the region will begin export operations. The number of new exporters through the Freeport can be measured by EMF if required, depending on the outcomes of HMRC engagement.

### Objective 2: Promote regeneration and job creation

It is anticipated that the Freeport will support HMG's objectives of regeneration and job creation by delivering a peak of 28,900 high quality jobs to the tax and customs sites, and further 32,100 roles in the wider region through indirect and induced effects. Consequently, GVA growth of £3.9bn is expected within the tax and customs sites, while it is forecast that the wider East Midlands region could see an additional £5.0bn of productivity growth over a 30-year appraisal period.

The additional corporate involvement in the region will not just result in additional full time jobs, but will also deliver additional opportunities for apprenticeships, placements, and work experience visits. This, alongside collaboration from local universities and regional skills initiatives will deliver upskilling in the workforce, improving long-term career prospects and access to high-quality employment. The Freeport aims to measure the number of these roles delivered within freeport Tax and Customs sites.

EMF will also support regeneration and levelling up efforts in the region by enhancing connectivity (road and public transport) between the Freeport sites and EMF's target areas for regeneration and job creation, being areas evidencing a regeneration need within the travel to work area, including Rushcliffe Borough, South Derbyshire District, NW Leicestershire, and the metropolitan areas of Nottingham, Derby, and Leicester. This will be achieved through EMF support for delivery of new and additional physical connectivity to connect the workforce to job vacancies, including seed capital- funded internal access infrastructure, and complementary initiatives such as low-carbon transport and hydrogen fuel initiatives as well as road, rail, and bicycle infrastructure developments. The implementation of these developments will be monitored by the EMF Evaluation Partner on an ongoing basis.

### Objective 3: Create hotbeds for innovation

Supported by collaboration with local higher education institutions and complementary investments in R&D capability and skills growth such as MTI and UTC, advanced manufacturing and R&D presence in the region will increase, to be evidenced by an upskilled workforce accessing qualifications and trainings, and innovative businesses accessing R&D identified capability.

Part of the Hydrogen Innovation Zone, EMF will act as a hotbed of innovation and transition on the topic of sustainable energy generation, evidenced by the development of renewable energy / circular economy and green manufacturing facilities (EMERGE, proposed Gigafactory, hydrogen plant) in the proposed tax sites, and consequent reductions in GHG emissions as a result of energy generation in the region. Both of these aspects will be monitored by the EMF Evaluation Partner, as set out in Section 1g.

Innovative activity in the region will also extend to advanced and sustainable logistics, enhanced by skills outputs of the Hydrogen Skills Academy, in addition conversion of road freight to rail resulting from rail head investment at EMIP and EMAGIC. Progress towards this objective will also be evidenced by increased floorspace available for advanced logistics businesses, and monitored by each tax and customs site operator in collaboration with the EMF Evaluation Partner.

Finally, as mentioned previously, EMF will amplify the ability of other freeports to deliver upon the HMG objectives by providing a central hub for innovation and logistics, connecting freeport customs sites across the country via rail and providing access to the airport for rapid access to global markets.

## 1f. Tax Sites

The three EMF tax sites are expected to comprise:

1. Uniper UK's Ratcliffe-on-Soar site (Ratcliffe)
2. East Midlands Airport Gateway and Industrial Cluster (EMAGIC), containing SEGRO Logistics Park East Midlands Gateway (SPLEMG), East Midlands Airport developments, the "East Midlands Airport & SEGRO South" Site, and a Strategic Rail Freight Interchange (SRFT) operated by Maritime Transport.
3. East Midlands Intermodal Park (EMIP), containing Goodman, Etwall Land Ltd, and Toyota

Each of these tax sites has been brought forward for approval to UK Government.

The strategic vision for each tax site and alignment with the UK Government's policy objectives is set out below, alongside compliance of each site with Freeport bidding prospectus requirements. Meanwhile, a breakdown of jobs, sectors, role types, and timeframes for jobs the Freeport is expected to create, broken down by tax site, is set out in Annex X.

### **Tax Site strategic vision and alignment with UK Government policy objectives**

#### Ratcliffe

##### *Strategic vision*

Economic activity at Ratcliffe will primarily be focussed within the advanced manufacturing and logistics sectors with a particular focus on decarbonised technology and on developing related low carbon energy infrastructure on site. Uniper UK estimates that between 5-10 businesses will move into the site, generating thousands of employment opportunities and contributing to the region's drive to be a leader in decarbonisation and consequently also supporting the UK Government's Net Zero objectives

Ratcliffe-on-Soar's focus on low carbon and renewable energy production and distribution will help achieve the key value proposition of creating an innovation hotbed for energy transition and supply chain decarbonisation. The potential development of a Gigafactory will help drive the transition to electric vehicle usage that will have a significant impact on HMG's aim of achieving Net Zero by 2050.

##### *Alignment with UK Government policy objectives*

Supporting investment into innovative technologies such as the EMERGE facility, and cultivating relationships with research institutions such as the Energy Research Accelerator and cross-EMF initiatives, Ratcliffe will support the region to become a hotbed for innovation in the field of energy transition and supply chain decarbonisation.

Furthermore, as referenced in 1e. vi., Ratcliffe will promote regeneration and job creation through support for high quality employment growth at investor sites, in addition to supporting a reorientation of the local workforce in light of the phasing down of the existing power generation facility at the site. Uniper UK estimates that between 5-10 businesses will move into the site, generating thousands of employment opportunities and contributing to the region's drive for decarbonisation of the supply chain throughout the various economic networks – consequently also supporting the UK Government's Net Zero objectives.

#### EMAGIC

##### *Strategic vision*

The inclusion of the EMAGIC tax site – focused on Advanced Logistics and Advanced Manufacturing - is fundamental to the East Midlands Freeport's strategic proposition: the creation of a truly multimodal inland Freeport. The EMAGIC tax site encompasses potential development land within the two existing ports - East Midlands Airport and the Maritime Rail Freight Terminal - without which, there would be no existing port-related land or infrastructure within the East Midlands Freeport. Both SEGRO site components are synergistic in their support for regional freight growth. Developments at EMA and the SRFT will help to meet additional demand for freight capacity driven by the advanced logistics hub created through new developments on SEGRO land.

Tax Site status is an important catalyst for the proposed expansion of the existing Maritime Rail Freight Terminal (SRFT). Additional rail freight capacity as a result of this investment will attract businesses seeking to invest in the region by providing supply chain diversity and resilience via access to both maritime ports (including other UK Freeports) as well as adjacent access to East Midlands Airport. Rail freight expansion reduces reliance on HGVs for transport to other parts of the UK and generates significant carbon savings by moving the transport of goods from road to rail.

##### *Alignment with UK Government policy objectives*

By bringing access to the rail freight terminal and East Midlands Airport to Advanced Logistics, Aviation, and Advanced Manufacturing businesses investing in SPLEMG, East Midlands Airport & SEGRO South Site and East Midlands Airport locations, EMAGIC is a proposition which will enhance access to global markets for impacted businesses, increasing freight throughput making the region a national hub for Global trade and investment, while mitigating climate impacts of such trade throughput growth by encouraging the transition of freight operations to rail.

In addition to this, investment into EMAGIC driven by tax site status will yield significant regeneration and job growth, with approximately 25 new businesses being expected to operate in the previously underutilised site, and over 6,800 new jobs being generated as a result.

## EMIP

### *Strategic vision*

EMIP will focus on the Advanced Manufacturing and Advanced Logistics sectors, with proximity to the Toyota UK facility anticipated to drive particular investment into the automotive sector. Development will include new commercial accommodation, new rail infrastructure, and loading areas to enable the transfer of unitised freight between road and rail, and enhanced connectivity within the Freeport, forming a critical part of the aforementioned wider efforts to deliver a modal shift from road to rail transport.

### *Alignment with UK Government policy objectives*

EMIP will provide rail terminal and clustered supply chain access to the automotive supply chain in the region, supporting the UK Government's objective of building hubs of Global Trade and investment, and driving job growth to the region by promoting the reshoring of the supply chain, while being another critical tenet in the wider priority of converting road freight to rail.

Furthermore, this inward investment will drive regeneration and job growth in the region, encouraging investment (and consequent job growth) not just into the site, but into the wider region.

## **Tax site criteria compliance**

The three potential tax sites provide 533ha of largely underdeveloped land within the 45km outer boundary diameter and have exceptional access to strategic road and rail networks. **A map of each proposed tax site is set out in Annex E.**

EMIP delivers 173ha of developable land within the tax site, with the EMAGIC tax site offering 160ha of land, and the Ratcliffe site offering 200ha<sup>22</sup>.

**A detailed tax site suitability analysis, which outlines how the proposed tax sites comply with the “regeneration need requirement” of a freeport tax site and/or “underdeveloped requirement” per the Freeport bidding prospectus, has been supplied at Annex S.**

The detailed analysis demonstrates that each site meets the regeneration need requirement and/or the underdeveloped requirement, consequently complying with HMG's criteria for tax site designation.

## **Mitigating displacement**

There is a requirement of Freeport tax sites to appropriately mitigate economic displacement. While EMF believes that the underlying attributes of the proposed tax sites act to mitigate economic displacement, it recognises that measures are required to be put in place to provide assurance of this. Consequently, EMF has undertaken two activities:

1. An analysis of site and regional attributes and any accompanying displacement risk
2. Development and approval of a “Tax Site Framework” which puts in place processes to monitor and mitigate displacement

A high-level summary of these activities is set out below, while the Tax Site Framework is provided as Annex Z to this FBC.

### *1. Site and regional attribute analysis*

The EMF tax sites have been proposed for their ability to attract new, international investment to the UK and domestic investment to the region that would not otherwise locate in the East Midlands due to limited availability of suitable land with infrastructure connectivity (including to the airport). It will support reshoring of supply chain activities in the automotive sector to help meet the Rules of Origin requirements of the new EU agreement, which imposes rising minimum thresholds for UK/EU content in electric and hybrid vehicles and in EV batteries. Through the benefits of agglomeration, this will induce and catalyse further investment and job creation in productive sectors such as advanced manufacturing and advanced logistics.

The specific focus of each site in niche activities will minimise displacement. EMAGIC will attract businesses in advanced, just-in-time logistics that require adjacent and airside access to the airport and rail freight terminal. Ratcliffe will build on Uniper UK's energy expertise and existing grid connectivity at the site to attract advanced manufacturing, with a focus on energy intensive industries requiring large scale, reliable, low carbon power unavailable elsewhere. EMIP benefits from adjacency to the Toyota facility creating an environment to attract logistics and advanced manufacturing investment. Meanwhile, investments in supporting infrastructure will enhance the productivity and competitiveness of enterprise in the outer boundary, and better connect residential and employment areas.

The presence of a large, specialised, local labour pool reduces the risk of displacement and provides an ideal platform to attract businesses, grow businesses, and deliver reskilling and upskilling opportunities. The potential tax sites are located within wider travel-to-work areas that include pockets of deprivation and reduced productivity, meaning that jobs created will support, rather than offset, levelling up. Acute deprivation has worsened in parts of our region since 2015. Nottingham is the 10th most deprived<sup>23</sup> and 14th least socially mobile council

<sup>22</sup> 200.56ha

<sup>23</sup> GOVUK. (2019). *English Indices of Deprivation 2019*.

area in England<sup>24</sup>. Parts of Charnwood, Derby, Erewash, Leicester, Nottingham, and North West Leicestershire are amongst the 10% most deprived in the country<sup>25</sup>. Despite some improvements, 6 of the 20% worst districts for social mobility are wholly or partly within our Outer Boundary, with 6 more within Derbyshire, Nottinghamshire, and Leicestershire<sup>26</sup>. The economic effects of Covid-19 are widening and worsening this picture. The East Midlands Freeport is in the travel-to-work range of these and other deprived communities along the M1 corridor. The sites are well connected and the development at East Midlands Gateway provides a model with public transit ensuring a matching of those seeking employment to job opportunities.

Displacement will be monitored by Local Authorities and LEPs represented in the governance framework, and, where necessary, use of business rates and support from EMF's aforementioned proposed Employment and Skills programmes will prioritise the mitigation of these effects. The East Midlands Freeport will place a heavy emphasis on the upskilling of the workforce, building on its partnerships with leading universities, colleges and business, and training and retraining those with little or no qualifications, supported by public investment. This will ensure that any residual risks of displacement are mitigated by creating new economic and upskilling opportunities for communities.

## 2. Tax Site Framework

Governed by EMF's Board, the framework is comprised of three components, ensuring tax site operators and their occupiers are signed up to a code of conduct and associated decision gateway processes which direct their activity to the objectives of EMF.

The three components detailed in the framework (Annex Z) are as follows:

### 1. Tax Site Operator Code of Conduct

- A commitment from EMF's tax site operators to adhere to an EMF Code of Conduct, renewed on an annual basis and overseen by the EMF Board.

### 2. Tax Site Investment Gateway Review

- A gateway process to determine to what degree investment activity is aligned to delivering the objectives of EMF.

### 3. Tax Site Occupier Code of Conduct

- A commitment from EMF's tax site occupiers to adhere to an EMF Code of Conduct, renewed on an annual basis and overseen by the tax site operators.

The Framework is overseen by EMF's Board, who assess compliance with the Framework and have a number of powers in the event of non-compliance or in the event that tax site operator business decisions are deemed not to sufficiently contribute to the objectives of EMF. The commitment to the Tax Site Framework and its components is required to be renewed on an annual basis by both Tax Site Operators and Tax Site Occupiers as part of EMF's annual business planning process.

## 1g. Net Zero

Support for HMG'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.
- ▶ Supporting businesses in EMF customs and tax sites to deliver on ambitious emissions targets, ahead of the 2050 Net Zero target pioneered by HMG.

Through strategic and operational collaboration with the EM Devco and EMF partners, EMF will support the Devco's proposals for an international decarbonisation centre "ZERO", a development initiative supporting construction of Infrastructure assets in the EM region to underpin the transformation to and scale-up of net zero technologies.

Further to this, EMF is already in a strong position with respect to Net Zero progress through efforts from key freeport partners:

- ▶ East Midlands Airport, part of Manchester Airport Group (MAG), was the first UK airport to achieve carbon neutrality for its ground operations, and MAG as a whole aims to achieve net zero carbon by 2038.
- ▶ As part of the Responsible SEGRO framework, SEGRO has committed to achieving Net Zero by 2030. The Responsible SEGRO framework sets championing low-carbon growth as one of its three long-term priorities, and has also joined the United Nations Race to Zero campaign and the Climate Pledge.
- ▶ SEGRO has launched an electric shuttle bus and bike hire scheme and is exploring implementation options for solar panels and is trialing smart building technology at East Midlands Gateway, including data capture on energy use, CO2 levels, noise, light, temperature, and plant efficiency. Evidencing these efforts, a Net Zero Speculative Unit (which will be BREAAAM "Excellent" rated) is now primed for development at SLPEMG, with photovoltaic (PV) panels, LED lighting, and upgraded cladding anticipated to offset all operational carbon based on the base build specification.

<sup>24</sup> GOVUK. (2018). *Social Mobility Index*.

<sup>25</sup> GOVUK. (2019). *English Indices of Deprivation 2019*.

<sup>26</sup> GOVUK. (2018). *Social Mobility Index*.

- ▶ Plans for decarbonisation at the Uniper Ratcliffe site are in progress, with the coal power station ceasing operations by Q4 2024 in line with government policy. The proposed pipeline of developments such as EMERGE, the energy hub, green hydrogen production, and a Gigafactory on the site are all expected to support the zero-carbon economy. With recycling and circular economy initiatives also under development, as well as the potential to install CCS on EMERGE in the 2030s, the Ratcliffe site is well placed to become carbon negative in the 2030s, well ahead of HMG targets.
- ▶ In addition to the aforementioned Woven City concept, Toyota, operating at the EMIP cluster, is supporting the Toyota Environmental Challenge 2050, which aspires to achieve zero carbon emissions and a net positive environmental impact for new vehicles, plant, and life cycles, with a focus on developing electric and hydrogen-based solutions to transform mobility services.

To add to these credentials, EMF has developed an advanced strategy in support of the HMG’s “Ten Point Plan” and, in addition to the ZERO initiative, is seeking to act as a national exemplar for low carbon mobility and zero carbon technologies. This strategy is outlined below, underpinning a more detailed plan in development.

### **Proposition and attributes in support of clean growth**

EMF will grow clusters of Net Zero manufacturing, attracting investment in batteries, electric vehicles, and clean fuel production. Investment in these emerging technologies can only be unlocked and scaled up with freeport designation.

There is a strong shared interest in the decarbonisation of energy as well as road, rail, and air transport, and in particular hydrogen production, distribution, and use, reflecting the interest from the region’s transport and logistics cluster. The fiscal benefits and collaboration possible in freeports will support the region to become a leader in H2 production and use. Meanwhile with respect to air transport, as part of its commitment to become a net zero carbon business by 2038, twelve years ahead of the UK’s aviation industry target to become net zero carbon by 2050, East Midlands Airport is exploring innovative sustainable solutions for landside and airside operations including electric vehicle charging, solar PV, and wind technology, working in synergy with cargo operators, airlines and handling agents.

The Freeport will seek to significantly increase renewable energy generation, with a clear vision for the sites being expressed through the Freeport’s marketing and communications channels set out in Section 5c. This plan has a particular focus on the Uniper Ratcliffe site with circular economy, energy exchange, and decarbonisation at its core. The site’s infrastructure and connectivity will support transformational and critical supply chain developments including a Gigafactory and could host hydrogen production and distribution at regionally significant scale providing the supply of hydrogen to enable the decarbonisation of transport, materials movement, industrial use and heating within the EMF and across the region. The low carbon heat and electricity energy hub will support freeport manufacturing and has the ability to become carbon negative over the longer term. In addition, the existing mainline freight connections at Ratcliffe will be retained in the future to support the Freeport.

Regionally, movements of freight volumes to rail will also continue to be encouraged by the existing Maritime freight railhead at EMAGIC, supporting rail connectivity to the airport-adjacent SLPEMG site, thus acting as a catalyst towards Net Zero ambitions across rail-connected areas of the country. Furthermore, robust mainline connections at EMIP would allow for the diversion of road freight to rail facilitated by the proposed construction of a bridge over the A50. This would enable Toyota to move more vehicles and parts by rail and create further opportunities for other advanced manufacturing businesses to reshore production to the cluster, reducing the carbon footprint of Toyota and other supply chains.

These aspirations are underpinned by existing regional strengths in R&D and innovation within local universities and a strong training capability already in place to ensure that the workforce can meet the Net Zero challenge. ZERO is working closely with the Energy Research Accelerator to accelerate high level skills in green technologies, which will:

- ▶ Enable a lower level of carbon emissions from power generation, improving the long-term health of communities
- ▶ Create new job opportunities in digital, manufacturing, construction, and facilities roles
- ▶ Increase carbon sequestration

### **Emissions and investment targets, milestones, and deadlines**

Within 12 months post-designation, EMF, with support from the Evaluation Partner, will undergo an initial baselining exercise, focused upon – where applicable - identifying HMG-standard 1990-levels of Scope 1 and Scope 2 emissions of business sites and infrastructure associated with the tax and customs sites within the Outer Boundary of the Freeport. An alternative approach will be employed for sites where 1990-level emissions are not applicable.

From this calculated baseline, EMF expect the identified sites and infrastructure developments to – on a consolidated basis - exceed HMG staged market-based emission targets of 68% reduction by 2030, 78% reduction by 2035, and 100% reduction (net zero) by 2050 (net of any carbon removals).

This will be measured through calculation or estimation of Scope 1 and 2 emissions for the aforementioned business sites and infrastructure annually by Freeport partners, who will feed into an annual consolidated emissions report. Location and market-based emissions will be reported gross and net of carbon offsets and/or removals.

In addition, EMF will build in checkpoints to assess partners’ plans, determine synergies and opportunities to optimise these, and set out an overarching trajectory towards net zero for EMF to cover additional reduction options which may be required, particularly where residual emissions are identified. The first of these checkpoints is due to fall 12 months from operationalisation of the Freeport.

Finally, EMF will target compliance with PAS 2080 procurement standards for applicable infrastructure investment and will encourage the component site operators and landowners to do the same.

### Emissions monitoring, partner engagement, and progress reporting

The EMF Evaluation Partner (c.f. Section 5b) will hold responsibility for developing the consolidated emissions report and reporting progress on Net Zero to the board on an annual basis, as well as reporting to HMG stakeholders as required. This will require interaction with the EMF customs and tax site operators and business operators, in coordination with the EMF Innovation & Net Zero Subcommittee.

The Innovation & Net Zero Subcommittee will act as a partner engagement forum on the topic of Net Zero, providing a go-between for the Evaluation Partner, customs and tax site operators, and businesses operating within the Freeport to obtain data on EMF's joint progress towards Emissions and investment targets. In addition, the Subcommittee may communicate requests for operational actions from the Board with regards to Net Zero initiatives as necessary.

FBC Section 5b sets out in more detail the roles and authority of the Evaluation Partner and Subcommittees, as well as communication routes between affected stakeholders.

A diagrammatic illustration of EMF emissions sources and the proposed monitoring and reduction approach for these is set out in Annex T.

## 1h. Equalities

As the inception and implementation of EMF will drive significant investment and infrastructure development in the region, a regional transformation is anticipated, and the consequent impact upon protected groups within the region must be assessed. EMF have conducted a high-level impact assessment of the Freeport proposals upon the nine protected groups set out in the Equality Act 2010, supplied at Annex O.

The EMF freeport board are committed to managing any negative impacts upon protected groups, and to capitalising upon the potential benefits it can deliver. EMF is therefore committed to ensuring that diversity and inclusiveness is a fundamental driver behind every conversation that is held, every action that is taken and every decision that is made.

To ensure that this stance is upheld, the EMF Freeport Board and supporting Governance networks have made the following commitments as part of the EMF diversity statement:

We will give all partners, stakeholders, consultation groups and members of the local and wider community a platform to have their voices heard and ideas discussed.

We will embrace differences in age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation to ensure all partners, stakeholders and members of the community feel valued, involved and proud to be part of the East Midlands Freeport initiative.

We will bring together people from a broad range of backgrounds, geographies, organisations, disciplines, and specialisms to promote informed and forward-thinking discussions as well as rounded and intelligent decision-making.

We will ensure representation on the Board at both a local and wider regional level, to promote a spirit of communal pride and harvest engagement across a broader geography of stakeholders and consultation groups.

We will strive to create a collaborative, inclusive and respectful environment in which innovation, information sharing, creative thinking and bold ideas are actively encouraged and listened to.

We will build a safe environment of openness and honesty to promote a culture of listening, learning, empathy and wellbeing.

Drawing from the Diversity Statement (Annex J), an equalities strategy has been adopted by the EMF Board to achieve these commitments:

Reflecting the local community in our plans and decisions	Monitoring and encouraging diversity at a Board level	Ensuring diversity and inclusivity when engaging with local stakeholders
<p>Membership on the Board will include representatives based in the East Midlands region who have an established relationship with the local community, a proficient working knowledge of the local economy and a personal investment in 'levelling up' the region and empowering communities and people.</p>	<p>Membership on the Board will include a wide range of parties with unique personal and professional backgrounds, bringing together a broad collective of expertise, insights and experiences from which balanced and progressive decisions can be made.</p>	<p>The Board will ensure that all events are held, materials are presented and communications are delivered in a manner that is accessible to all audiences, and will make any reasonable adjustments that may be required to achieve this, adhering to and respecting the individual needs of the community to encourage their involvement.</p>
<p>Members of the Board and the Engagement Network will be responsible for liaising with consultation groups across the East Midlands, from business owners and regional developers to local</p>	<p>Members of the Board will partake in mandatory training around diversity, equality and inclusion, to ensure all members are suitably informed around current issues and appropriate conduct in</p>	<p>The Board will make a conscious, active and targeted effort to engage with underrepresented community groups and individuals who will be impacted by the activities of the Freeport agenda, ensuring</p>

homeowners and wider members of the community, to establish a trusted feedback network between the local population, key stakeholders and the Board.	relation to diversity and the Equalities Act duties that relate to the public sector.	that their views are understood and represented in making key decisions.
	The representatives of the organisations that sit on the Board will be decided through a transparent process, underpinned by an ambition towards equity and fairness in representation.	The Board will support hard to reach community groups and individuals when collecting feedback and gauging their sentiment, ensuring they feel comfortable in providing their views, feel valued for their contributions and are integral to the decision-making process.

To add to this, EMF is assisting with a series of initiatives to support members of protected groups and those furthest from the labour market through engagement with LEPs, FE, HE and DWP, and by piloting the forthcoming D2N2 ESF programme which will support local jobseekers. Further details of these initiatives targeted to positively impact protected groups is provided in FBC 2b. iv. in the Economic Case.

The evaluation partner (c.f. FBC 5b) will monitor performance of the EMF equalities strategy and other initiatives against set KPIs relating to the strategy and will report back bi-annually to the board on KPI delivery and adherence to the equality's strategy.

Annex O provides a detailed Equalities Impact Assessment (EqIA) evaluating the potential impacts on protected groups associated with the establishment of the freeport and subsequent mitigation measures to address these issues. The purpose of this assessment is to advance equality or foster good relations where persons with protected characteristics are negatively impacted. Moreover, the EqIA will ensure the relevant public authorities can make informed judgements on their decision making, with more effective targeting of policy, resources and the use of regulatory measures. Furthermore, the EqIA will offer a clearer understanding of the needs of service users, resulting in better quality services which meet varied needs; better results and greater confidence in, and satisfaction with, public services; a more effective use of talent in the workforce; and a reduction in instances of discrimination and resulting claims.

## 1i. Environmental Impact

EMF have considered the environmental impact of the Freeport and how negative impacts will be mitigated through compliance with applicable regulations, monitoring processes and intervention. Furthermore, EMF has conducted an impact assessment on its resilience to climate change, covering key sources of UK Government guidance. Detail of these two activities are set out below.

### Ensuring compliance with applicable environmental regulations

As set out in Annex AA, EMF has developed a framework setting out the process for regulatory compliance in EMF tax sites and infrastructure developments. The below sets out the key aspects of this process at each phase:

#### Planning phase

During the planning process for any substantive developments at EMF, consideration as to applicable environmental impacts is required by the applicable authority to be provided as part of an Environmental Impact Assessment (or equivalent). This would require compliance with local and regionally set Environmental policy; such as the Accountable Body's Environment Strategy (2018–30), Tree Management Strategy (2020-25) and Waste Disposal Plan (2018-30). National planning policy may require consideration, for example, the Planning Inspectorate require an Environmental Impact Assessment to be conducted at Pre-Application phase for Nationally Significant Infrastructure Projects (NSIPs). This phase allows key early mitigations and interventions to be identified and weaved within the planning consent for sites.

#### Development phase

Responsibility for compliance with Environmental regulations and any mitigations identified during the planning phase are placed upon the site operator or lead for the development. Where material Environmental risks and issues emerge, these will be reported by the Tax Site Operators through the Systems and Compliance Subcommittee and Tax Site Updates provided to Board and Sites and Infrastructure Committee. An appropriate assessment of the development will be completed by the Local Planning team in line with local planning policy.

#### Operational phase

Responsibility for onward compliance with environmental regulations remains with the Site Operator and the Building Occupier (where buildings are completed / occupied), however the EMF Board will continue to monitor and measure environmental risk, and where agreed, regulatory compliance. Regulatory compliance risks are identified through bilateral engagement between the EMF Evaluation Partner (working with the EDT) and responsible party for the development, and a cyclical Environmental risk register will be monitored at the Security and Compliance Subcommittee. Where substantive issues are identified, these may be raised to the EMF Board, who will approve proposed mitigating actions. It is the expectation that Tax Site Operators will continue to support the compliance process by reporting and reviewing metrics that align to environmental and security requirements.

Noting the EMF's considerable potential to make a profound impact on the UK's drive toward Net Zero, the EMF aims to become a test site for innovations that monitor, report and intervene on environmental impacts, ranging from measurement of emissions or waste through to strengthening and protecting biodiversity. Additionally, through the Annual Business Plan, and individual Retained Business Rates projects, EMF will evaluate its Environmental Impact and the interventional role it can play in directing activity within the Freeport to contribute toward Net Zero goals.

## Climate Change and flooding resilience

The Government has requested evidence of consideration regarding the EMF's resilience to future climate change, particularly in reference to:

- ▶ Supplementary Green Book Guidance on Accounting for the Effects of Climate Change,
- ▶ The Environment Agency's guidance on flood and coastal erosion risk management (FCERM), and
- ▶ Defra's Floods Policy Statement.

It should be noted that, as an inland Freeport, the EMF faces a significantly lower risk of flooding and is far less vulnerable to coastal erosion than coastal Freeports. Additionally, a number of climate risk mitigations, such as advanced drainage systems and flood walls, already exist in proximity to EMF tax site locations.

### Accounting for the Effects of Climate Change

The Supplementary Green Book Guidance on Accounting for the Effects of Climate Change highlights the critical importance of ensuring that new projects pro-actively prepare for the effects of climate change, particularly with regard to extreme weather volatility caused by global temperature increases. The guidance also requires that a Climate Change Risk Assessment (CCRA) be conducted if certain conditions are met.

Consequently, where material infrastructure or development projects are being undertaken within EMF tax sites or utilizing seed capital funding within the region, the EMF Board will undertake to ensure that a CCRA is undertaken, and where required, appropriate mitigations are put in place.

This is already the case for some EMF tax sites, such as the East Midlands Airport portion of the EMAGIC site, which has conducted multiple assessments previously, and has submitted its 2021 Climate Change Adaptation Report to DEFRA, which has been published on the DEFRA website – a key assessment, given its position as EMF's primary port.

### The Environment Agency's guidance on flood and coastal erosion risk management

The Environment Agency's guidance on flood and coastal erosion risk management highlights the importance of developing 'Climate resilient places' in response to these risks as well as planning infrastructure projects with the aim to secure sustainable growth and environmental improvements. While the proposed tax sites are all inland and thus are less vulnerable to flooding and coastal erosion than Freeports that are based at the coast, the Met Office's technical Climate change and flood risk "Climate East Midlands" report<sup>27</sup> identifies that some areas of the East Midlands are at risk of flooding. Consequently, to assess whether this risk applies to EMF sites, data from the HMG post code flood risk checker website has been used to evaluate the risk of flooding to each tax site, in accordance with an identification of existing flood mitigations in place.

#### *EMIP*

EMIP has a very low risk rating with regard to both surface water flooding and rivers and the sea flooding and is therefore not significantly vulnerable to extreme weather volatility. Moreover, numerous flood defences already provide protection for the region, such as the Our City Our River floodgates in Derby which were constructed in 2019. Detailed proposals will be produced to accommodate surface and foul water drainage – all containing the principles of Sustainable Urban Drainage System (SUDS). Surface water runoff into local water courses will be controlled and mitigated to minimize any local flood risk.

#### *Ratcliffe-on-Soar*

The Ratcliffe site also has a very low risk rating with regard to surface water and rivers and the sea flooding. In addition, Uniper UK defends against flooding risks through the use of a variety of systems of drainage and attenuation that manage water levels and quality. Furthermore, the £45 million Nottingham left bank flood alleviation scheme protects a 27km stretch of land near the site through a variety of flood walls and gates.

#### *EMAGIC*

SEGRO Logistics East Midland Gateway has a very low risk rating for both types of flooding and is therefore not viewed as vulnerable to extreme weather volatility.

Given the current undeveloped status of the East Midlands Airport & SEGRO South Site, a postcode is not available for use on the gov.uk flood risk checker. However, the totality of the East Midlands Airport & SEGRO South site's totality is located within a *Flood Zone 1* area, so is at low risk of flooding. Detailed proposals will be produced to accommodate surface and foul water drainage – all containing the principles of Sustainable Urban Drainage System (SUDS). Surface water runoff into local water courses will be controlled and mitigated to minimise any local flood risk.

The East Midlands Airport postcode contains 56 addresses and therefore has a rating which varies from very high to very low risk since the area covers land with fast agricultural run-off. However, East Midlands Airport has a variety of defences to mitigate this issue. For example, there is a complex drainage system that contains three separate catchments in order to divert water run-off away from the runway. In addition,

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<sup>27</sup> Met Office. (2015). *Climate change and flood risk - Climate East Midlands*

an advanced computer system manages water quality and surface water levels in three water balancing facilities. Therefore, the site is strongly protected from the risk of flooding and is not significantly at risk of changes in the climate.

**Annex W** illustrates the flood risk for each geographic location and references the data used for the flood risk ratings.

#### Defra's Floods Policy Statement

Defra's Floods Policy Statement encourages the use of nature-based solutions to combat Climate Change and highlights the importance of measures designed to reduce the likelihood of flooding caused by weather volatility.

As set out above, each of the EMF Tax Sites is supported by existing flood mitigation measures and has limited risk with respect to flooding.

Meanwhile, EMF as a whole will seek to contribute to the UK's wider efforts with respect to the combating of Climate Change by increasing renewable energy generation in the region and creating a hub of sustainability focused businesses working towards the HMG goal of Net Zero. This will include growth in clusters of Net Zero manufacturing, attracting investment in batteries, electric vehicles, and clean fuel production – in addition to research into the use of hydrogen power. Combined with a commitment to improving the natural environment, EMF's focus on creating innovative solutions towards a decarbonised future will provide a contribution to wider efforts towards mitigation of flooding and coastal erosion driven by volatile weather extremes.



# 2

# Economic Case

## 2a. Critical Success Factors

Critical Success Factors (CSFs) have been utilised to undertake an effective strategic assessment of the options associated with the Freepport in a manner which optimises its performance in the presence of multiple conflicting objectives. They support an assessment of how well an option is likely to succeed across the five dimensions of a business case. The CSFs therefore form the principles behind the appraisal of options associated with the delivery of the Freepport.

Discussion with local and regional stakeholders and reference to the DLUHC guidance has identified the following CSFs that represent the key attributes upon which successful delivery of the Freepport depends:

- ▶ **Strategic fit with policy objectives** to ensure the option meets agreed spending objectives, related business needs and service requirements, and provides a holistic fit and synergy with other strategies, programmes and projects. HMG's Freepport objectives state the development of national hubs for global trade and investment, promoting regeneration and job creation, and creating hotbeds for innovation. Beyond these objectives, alignment with regional (competing for high-value business and innovation, linking jobs to disadvantaged communities) and national (Net Zero, levelling up agenda) policy priorities is needed.
- ▶ **Value for money** to ensure the option optimises social value (social, economic and environmental), in terms of the potential costs, benefits and risks.
- ▶ **Capacity and capability** to ensure the option appeals to suppliers for delivery of the required services.
- ▶ **Achievability / risk profile** to ensure the option is likely to be delivered successfully through an organisation able to adapt to change.
- ▶ **Affordability / cost** to ensure the option can be financed from available funds (given the prospective Freepport's indicative seed capital allocation).
- ▶ **Alignment with the Net Zero agenda** to ensure the option mitigates wider environmental impacts, including carbon emissions, and contributes to the delivery of Net Zero targets.
- ▶ **Central axis providing multi-modal connectivity across the Freepport system** to ensure the option identifies effective synergies in supporting local, national and international trade.

The options appraisal has therefore been designed to ensure that all options are evaluated through an approach consistent with these CSFs and to ensure that any option that does not align with these CSFs is discontinued.

## 2b. Options Appraisal

### 2b. i. Shortlist of options

A shortlist of options has been provided to reflect variation in the deployment of seed capital funding and to consider the development impacts for each of the proposed tax sites due to the levers associated with Freepport designation.

The Freepport tax levers provide a powerful incentive for business investment and support clustered growth. A summary of how the tax levers will be deployed is provided in 1d.i. while their potential impacts are discussed below.

The Freepport customs levers include duty suspension, duty flexibility, duty exemptions for re-exports and simplified import declarations, providing clear benefits to business operators in EMF customs sites and supporting HMG's freepport objectives. A summary of how the customs levers will be deployed is provided in 1d.i. while their potential impacts are discussed below.

DLUHC have stipulated the following options for assessment within the Economic Case:

- ▶ Do Nothing; a scenario which assesses the impact of no freepport being designated in the East Midlands but which reflects social and economic trends and the impact of planned or external events over the forecast period.
- ▶ £25m Seed Funding; a scenario which assesses the impact of Freepport designation supported by £25m of Seed Funding.
- ▶ Minimum viable level of Seed Funding; a scenario which assesses the impact of Freepport designation supported by a minimal viable level of Seed Funding, and
- ▶ Higher level of Seed Funding (by exception); a scenario which assesses the impact of Freepport designation supported by a higher level of Seed Funding.

DLUHC expects seed capital funding to primarily be spent on:

- ▶ Land assembly and site remediation;
- ▶ Small-scale transport infrastructure – e.g. building road or rail junctions or extensions to increase site access; and
- ▶ Digital or skills (e.g. improving internet connectivity or building a training college) in exceptional circumstances.

Seed capital funding may be spent on capital works that strongly align with the Freepport's objectives, such as digital or skills, in exceptional circumstances. These would be cases where:

- ▶ There are especially clear and well-evidenced expected benefits, in line with the Freepport policy objectives;
- ▶ The investment would not otherwise be forthcoming owing to market failures and/or this would unlock a particularly high level of private sector match funding; and

- ▶ The investment is well aligned with wider skills/digital initiatives and will not duplicate or fragment this work.

Details of how seed capital funding will be spent are set out in 3a.ii. while a detailed breakdown of costs and funding sources for each shortlisted option has been developed in line with data from the Financial Case and is provided in Annex I. Seed capital funding will largely be spent on supporting the pace and scale of the EMF development delivering enabling infrastructure to connect the local workforce in cities, towns and local communities to EMF employment opportunities.

As outlined in Section 1f, the three tax sites are expected to comprise:

- ▶ Uniper UK’s Ratcliffe-on-Soar site
- ▶ East Midlands Airport Gateway and Industrial Cluster (EMAGIC), containing MAG East Midlands Airport, land at SEGRO Logistics Park East Midlands Gateway, the Strategic Rail Freight Terminal (SRFT) and East Midlands Airport /SEGRO land to the south of the site
- ▶ East Midlands Intermodal Park (EMIP), containing Goodman, Etwall Land Ltd and Toyota

Development plans for each tax site in each option have been developed in collaboration with the landowners. From these discussions it has been established that site development will not be dependent on the level of seed funding available. A summary of the site development plans (scale, type and timescales of development) for the Freeport and Do Nothing scenarios is provided in the table below:

Potential tax sites	With Freeport	Do Nothing
<b>Ratcliffe-on-Soar</b>	<ul style="list-style-type: none"> <li>▶ Development of around 2.2m sq ft of industrial space on the North site, primarily for advanced manufacturing and advanced logistics use but also with a smaller focus on the energy sector. This development is forecasted to be largely completed by 2026.</li> <li>▶ Gigafactory development on the South site covering 3.4m sq ft and specialising in advanced manufacturing with completion by 2026.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Development of around 1.5m sq ft of industrial space on the North site, primarily for advanced manufacturing and advanced logistics use but also with a smaller focus on the energy sector. This development is anticipated to be largely completed by 2030.</li> <li>▶ Multiple plots on the South site covering 2.8m sq ft and specialising in advanced manufacturing with completion by 2045.</li> </ul>
<b>EMAGIC</b>	<ul style="list-style-type: none"> <li>▶ <b>MAG East Midlands Airport:</b> 26ha of developable land for expansion of aviation operations (commercial space for electric vertical take-off and landing aircraft research, manufacture or storage, plus warehousing for cargo transit facilities and fixed based operator or maintenance operations) with the opportunity to utilise the Airport’s permitted development powers within the next 5-7 years.</li> <li>▶ <b>SLPEMG:</b> Construction of 1.5-1.8m sq ft of employment floorspace for advance logistics on fully serviced but unoccupied plots (based on an existing DCO planning permission) with full occupation of the site expected in 2023.</li> <li>▶ <b>Strategic Rail Freight Terminal (SRFT):</b> Transformative development of the terminal to service the enhanced trade throughput of the site, comprising (i) development of a 20,000 sq ft Head Office facility and Skills and Training Centre, plus a 40,000 sq ft Warehouse at the north of the site enabling 880 additional TEU yard capacity and 70 additional HGV parking spaces (ii) installation of additional rail track infrastructure with a further two tracks (an increase from three to five) to increase terminal capacity and capability (iii) installation of Rail Mounted Gantry Cranes (RMGs) to significantly accelerate freight operations and efficiency. Installation of the additional track infrastructure and RMGs would lead to a 300% increase in current operating volumes to 15 trains per day and 300,000 containers per annum.</li> <li>▶ <b>East Midlands Airport and SEGRO Site (South):</b> Development of 3m sq ft of commercial space for advanced logistics and warehousing estimated to be delivered by Q3/4 2024.</li> </ul>	<ul style="list-style-type: none"> <li>▶ <b>MAG East Midlands Airport:</b> 26ha of developable land for expansion of aviation operations (with the opportunity to utilise the Airport’s permitted development powers) within the next 7-10 years</li> <li>▶ <b>SLPEMG:</b> Construction of 1.5-1.8m sq ft of employment floorspace for advance logistics on fully serviced but unoccupied plots (based on an existing DCO planning permission) with full occupation of the site expected in 2025.</li> <li>▶ <b>Strategic Rail Freight Terminal (SRFT):</b> Investment plans would not be taken forward without designation until at least 2030. The Head Office facility and Skills and Training Centre could move outside the region.</li> <li>▶ <b>East Midlands Airport and SEGRO Site (South):</b> Freeport status will be critical to enabling this development to be brought forward. Without Freeport tax site designation, planning timescales will likely remain a significant barrier to development of the land and so development on the South Site.</li> </ul>

EMIP	▶ 5.2m sq ft of employment floorspace for manufacturing and logistics with site occupancy from 2025	▶ 5.2m sq ft of employment floorspace for manufacturing and logistics with site occupancy from 2030
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**Tax Lever Benefits**

As set out in 1d.i., each of the tax levers support investment and growth. While the Stamp Duty Land Tax lever supports site acquisition and inward investment, the Enhanced Structures and Buildings Allowance and Enhanced Capital Allowances support with building renovation and the purchase of plant and machinery respectively. Furthermore, Business Rates Relief can support with the operational costs of property and Employer NIC Relief can support the operational costs of hiring new employees.

As set out in 3a.iii., the EMF is expected to generate £885m in additional business rates over 25 years (after deductions by the Local Authorities in recognition of the 'no detriment' agreement) to be used by the DevCo and Freeport to deliver regeneration and public infrastructure. These funds will be reinvested alongside private capital to accelerate and support regional development by increasing the funds available to rate collecting and precepting authorities and managing authorities to reinvest in their communities.

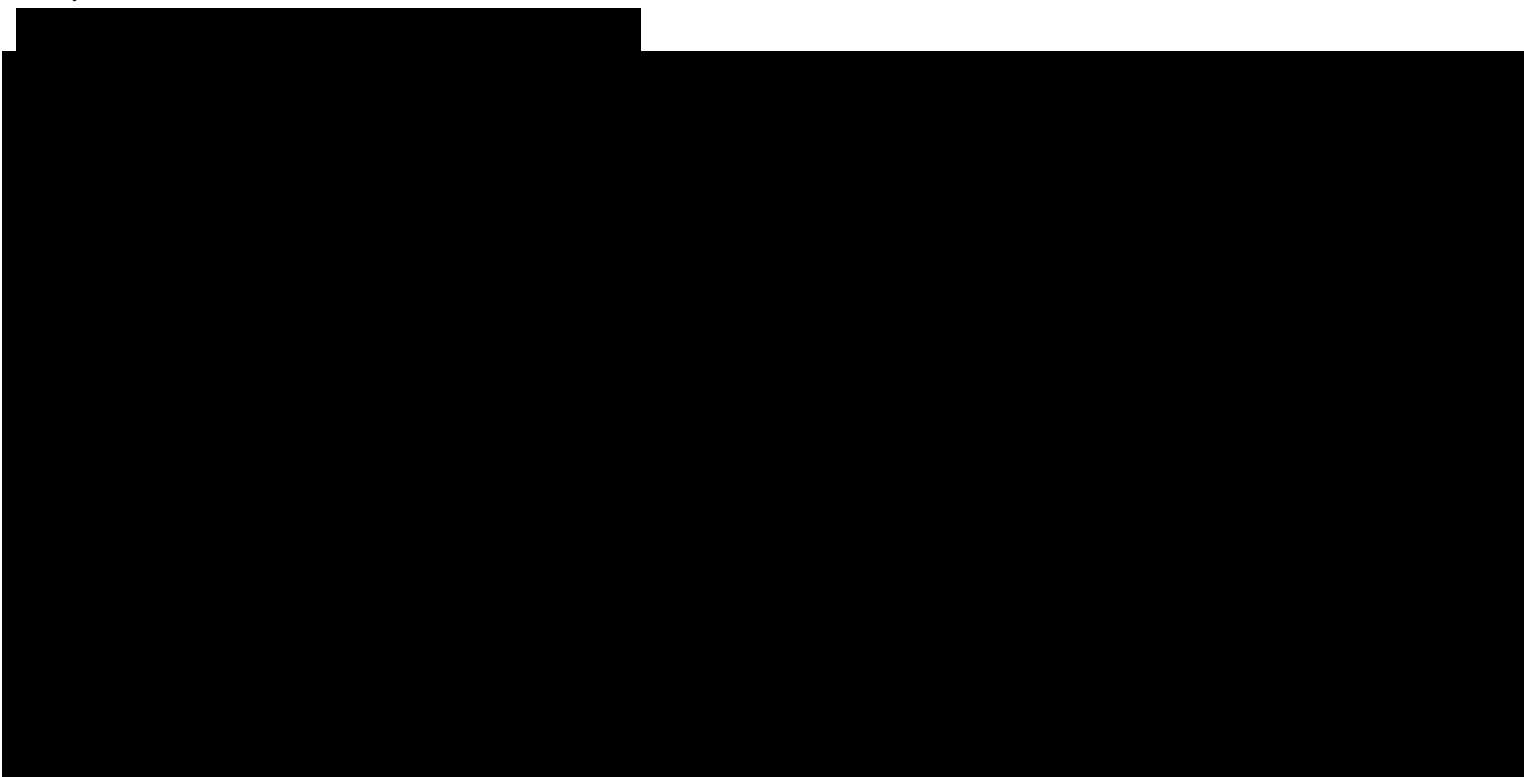
*Employer NIC Relief*

The Employer NIC Relief lever can support the operational costs of hiring new employees. Based on guidance from DLUHC, and drawing on estimates of new direct jobs across the three potential tax sites over a nine-year period from 2022/23 to 2030/31 from the Economic Model, it is estimated that employer savings due to NIC relief could exceed £189 million (noting that employment across the three potential sites is estimated to increase by almost 29,000 and most of those employees will be eligible for NIC relief for a three-year period).

The guidance advises making adjustments based on an evidence-based appraisal of the percentage of jobs that are anticipated to meet the following conditions:

- ▶ Spend 60% of their working time in the Freeport tax site;
- ▶ Cannot have been employed by the employer in the previous 24 months;
- ▶ Cannot be a contractor, who is self-employed or invoices the business; and
- ▶ Must be a new hire from April 2022 onwards.

Given that the data extracted from the Economic Model equates to new Full Time Equivalent (FTEs), no further moderation has been applied. For the purposes of these calculations, a benchmark salary of £25k has been assumed. This assumption is supported by ONS data on annual gross pay for 2021, which shows a median East Midlands salary of £24,157, with a median East Midlands manufacturing salary of £28,705 and a median East Midlands



### *Enhanced Structures and Buildings Allowance*

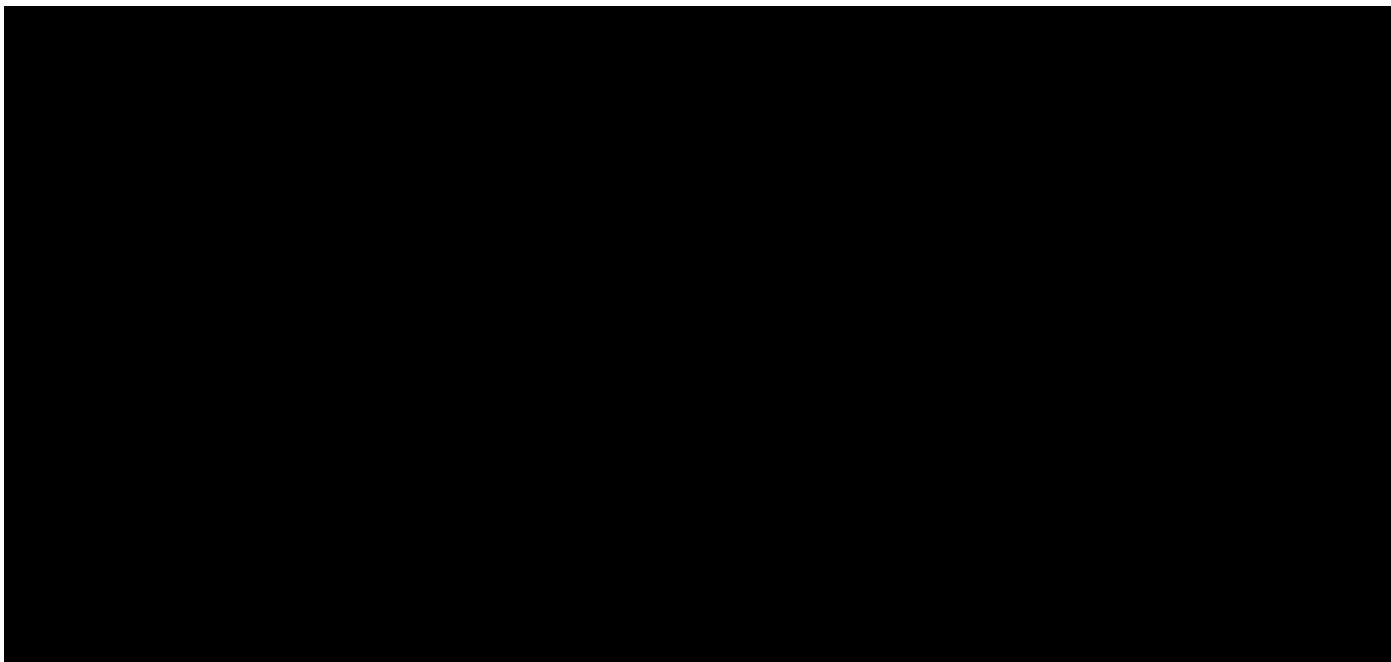
The Enhanced Structures and Buildings Allowance lever supports with building renovation. All eligible remediation and building work applies to the Ratcliffe-on-Soar tax site and is estimated to total £2-4m up to September 2026. Taking a central estimate of £3m, these costs could be offset over a 10-year period with a saving (19%) of around £57,000 per annum, totaling £570,000.

### *Enhanced Capital Allowances*

For ECA consideration has been given to the sectors that businesses are likely to sit within at EMF, noting the propensity toward higher levels of plant and machinery investment for sectors such as Advanced Manufacturing of Motor Vehicles, Low Carbon Production or Research and Development. In advanced logistics spaces an example of spending by occupiers on plant and machinery would be around £50m, providing an assumed benefit of £9.5m.

### *Stamp Duty Land Tax*

Stamp Duty Land Tax requires a transaction to take place, so a position has been calculated on a scenario where a single site is sold in full, rather than the more likely event that individual plots within a particular site are transacted. Values have been indexed from 2019 land values as per the Valuation Office.



### *Business Rates Relief (BRR)*

BRR modelling developed an average rateable value across the sites and applied standard assumptions such as BR multipliers, that all businesses are eligible from occupancy and that all sites are fully occupied to exemplify the maximum BRR. This includes the total value of Business Rates Relief to total £25m per year, or up to £134m across the full five years of the relief period indexed.

### **Customs Lever Benefits**

A summary of each of the customs levers available with Freeport designation is set out in 1d.i.

Given the complexity of the advanced manufacturing and logistics supply chains anticipated to situate in EMF Customs Sites, accurate modelling of fiscal impacts of each Customs Site is not feasible. Consequently, EMF has taken the approach of understanding potential impacts through a literature review and generating sector-specific case studies to illustrate the potential benefits accruing to businesses in EMF making use of the Freeport customs levers. This approach is in line with Freeport Hub guidance.

#### *Literature Review*

A literature review indicates that US foreign trade zones (FTZs) represent a significant share of US trade. According to the FTZ Board's 2018 Annual Report to Congress, foreign goods entering the United States through FTZs accounted for almost 10% of total U.S. imports. Oil/petroleum (25%), vehicles and related parts (17%), and electronics (16%) made up the majority of foreign goods entering FTZs. A majority of goods entering FTZs are used in production activities (63%), while the remaining are used in warehouse and other logistical activities (37%). Most goods (86%) arriving through FTZs were consumed in the United States; the rest were exported. The industries that account for a significant portion of zone production activity include the oil refining, automotive, electronics, and pharmaceutical sectors.

FTZs primarily benefit some manufacturing firms and the economy as a whole through potential lower costs. Savings from tariff reduction, administrative efficiencies, tax benefits, and duty deferral help US corporations maintain operations in the United States, and attract foreign producers to establish manufacturing facilities in the United States. In turn, proponents of the FTZ program argue it could h

hold onto their manufacturing bases and secondary service sector support systems and the jobs that go with them. Consumers benefit from any cost savings for businesses that may be passed along indirectly through lower prices. Federal, state, and local tax revenues benefit from increased activity that the FTZs generate, although goods stored or exported from zones are not subject to state and local ad-valorem taxes.

According to the Congressional Research Service, most of the financial benefits of FTZs come from duty reduction on inverted tariff situations, customs inventory control efficiencies, and duty exemption on exports. Profits from FTZ use result from the combination of small savings per unit and high-volume production.

Of all FTZ benefits, duty reduction on inverted tariff situations is generally the one most heavily used by businesses. It likely accounts for more than 50% of the total money saved from zone use, according to the FTZ Board. Duty reduction on imports results because FTZ users can typically choose to pay either the tariff rate for the imported components or the finished goods. Savings can be considerable - in 2011, a Volkswagen production plant in Chattanooga, TN that was granted FTZ status estimated it could save \$1.9 million, or \$13 per car in inverted tariff savings, on producing 150,000 cars annually.

Customs and inventory efficiencies, especially those obtained through “bundling” of entries (which are reports of individual shipments of goods entering or leaving zones), are another significant source of savings for FTZ users. In addition to time and paperwork savings, “bundling” allows an importer to file one entry for an entire week and pay a single merchandise processing fee (up to \$485) instead of a separate entry and merchandise processing fee for each shipment. In this way, large-operation zone users can cut their processing fees by about 90%. The National Association of Foreign Trade Zones (NAFTZ) estimates that FTZs handle more than 10% of US imports each year in terms of dollar value, but account for less than 1% of the actual number of import filings made with Customs and Border Protection (CBP), because of “bundling.” For a large company with 10 warehouses across the United States, each with several hundred deliveries per week, bundling efficiencies could mean a reduction in processing fees from roughly \$2 million a year to about \$25,000 per year.

#### Case Studies

To illustrate potential use of the Customs Levers in EMF’s target sectors, Annex P sets out four case studies, setting out the potential duty impacts of the levers on Advanced Manufacturers. However, in addition to business-specific operational factors such as import profiles, practical applicability of this benefit (and other levers) will be impacted by three key factors moving forward:

- ▶ Availability of FTAs and Rules of Origin therein;
- ▶ Implications of “No Duty Drawback” FTA clauses; and
- ▶ Evolution of the UK Global Tariff.

## 2b. ii. Value for Money Appraisal

The Value for Money (VfM) appraisal assesses the economic impacts of the shortlisted options and whether value for money for the public sector is optimised. This involves a quantitative comparison of the options based on a cost-benefit analysis (CBA), which is then supplemented with a consideration of qualitative impacts, wider impacts and risk. The CBA is accompanied by an assessment of the economic impacts (jobs, GVA, wage uplift and trade throughput) that would expect to be generated under each option. The methodology for the Value for Money Appraisal is set out in full in Annex I.

The DLUHC Appraisal Guide sets out that projects should be appraised on the basis of a benefit cost ratio (BCR) reflecting the private benefit associated with the change in land use (land value uplift) and the external benefits (and costs) of the scheme compared to the net public sector cost.

### Macroeconomic Impacts

Alongside this appraisal, the key macroeconomic outputs that will be delivered by the Freeport should be considered. These include the development of new commercial floorspace which will generate benefits once in use. The key benefits will include additional investment that addresses a development viability gap, the creation of new employment opportunities, increased economic activity (as measured through GVA), increased trade throughput and wage uplift.

#### Addressing the Viability Gap

Freeport designation would address a viability gap that is evidenced across target sectors within the EMF sites. Undersupply and under capacity exist in Advanced Manufacturing and Advanced Logistics that without Government levers and benefits risks underinvestment, or high consumer prices for goods that have important broader benefits, such as those associated with the transition to Low Carbon. Additionally, prospective occupiers in target sectors have stated the importance of the holistic Freeport proposition to their decisions to invest. A summary of the need for intervention in the Advanced Manufacturing and Advanced Logistics sectors is provided below:

- ▶ The Midlands were hit severely by the COVID pandemic, largely due to a reliance on the manufacturing sector, with a shortfall of activity by Q4 2020 of between 15% and 20% based on EY analysis. To avoid leaving the region lagging behind other areas, the Freeport will provide a stimulus response to the economic impact of the pandemic and the uncertainty of the path to recovery, especially for key sectors of the economy that were most affected. The automotive, construction and manufacturing sectors experienced the most dramatic downturns, and recovery to pre-COVID levels will take a number of years, or require disruptive transition to more productive and technologically advanced methods.
- ▶ Through the downturn, investment in logistics and distribution premises have sustained the East Midlands economy. However, market reporting by Knight Frank indicates that availability is reaching critical levels of shortage, and the current pipeline of speculative development only goes some way in plugging the gap. The result is that rents are continuing to rise with land prices hitting record

levels and developers are facing significant barriers in bringing forward sites, compounded by shortages of construction materials, issues around site assembly, acquisition and issues navigating the planning system. Knight Frank’s report states that there is huge growth potential in the years ahead but with very little stock opportunities there is a risk occupiers are lost to other regions.

In a region with industries of national significance, there is an opportunity to encourage investment and drive UK economic growth. The UK Attractiveness Survey concluded that 52% of investors are expecting the UK’s attractiveness for foreign direct investment (FDI) to increase over the coming three years with the UK returning to being the most attractive destination in Europe for FDI. The Freeport proposition reinforces the region’s ambition to become a global centre for sustainable manufacturing and low-carbon energy investment.

The tax incentives offered by Freeport designation will close these viability gaps by encouraging businesses to invest in the Freeport with greater confidence around the creation of jobs and reduced risk associated with investment in capital. Greater cost efficiency over recruitment and savings arising from investment in site development, plant and machinery will translate into the amplification and acceleration of site development. For the Advanced Manufacturing sector, this can be seen as a catalyst for recovery and growth across the region. For the Advanced Logistics sector, mitigating against some of the barriers to entry will support continued growth and greater capacity and capability across the region. As these sectors expand innovative clusters across the Freeport, the wider region will benefit from spillover of agglomeration benefits and transition to more sustainable technologies and processes that will align with Net Zero ambitions. The Logic Model set out in Annex A provides further detail on how Freeport activities, in combination with the region’s assets can drive outputs and outcomes that support the Government’s strategic objectives for Freeports.

### Jobs Impact

The number of gross jobs that will be accommodated within the new commercial floorspace has been calculated based on the site development schedule for each option. In estimating the potential impact, assumptions have been made as to the type of floorspace provided and the expected employment densities. Employment density ratios consistent with guidance produced for the Homes and Communities Agency have been applied.

The table below sets out the peak direct and indirect/induced jobs impact for each site in the Freeport scenario:

Peak Jobs Impact (FTEs)	Freeport Tax Levers (Gross)		
	Direct	Indirect/Induced	Total
Ratcliffe-on-Soar	12,939	16,989	29,928
EMAGIC	6,807	5,416	12,223
EMIP	9,217	9,766	18,983
<b>Total</b>	<b>28,963</b>	<b>32,171</b>	<b>61,134</b>

With the Freeport designation in place and access to the tax incentives, the sites will be able to generate a total of 28,963 direct jobs, with 12,939 on the Ratcliffe-on-Soar site, 6,807 on the EMAGIC site and 9,217 on the EMIP site. Once indirect and induced jobs are factored, a total of 61,134 jobs across the sites and the wider region will be generated with Freeport designation secured.

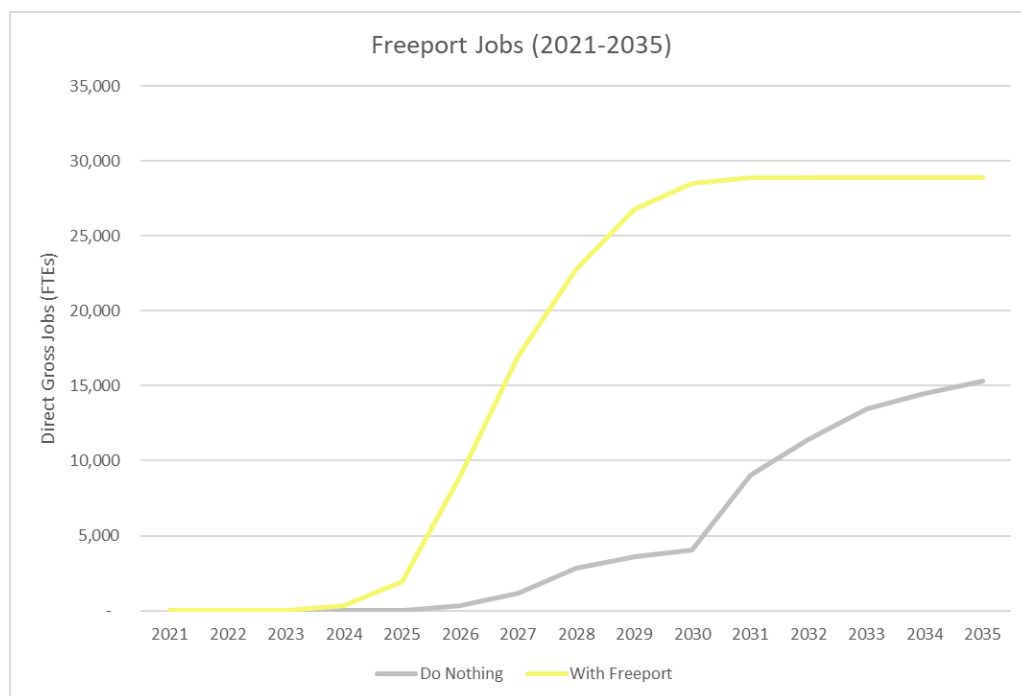
Of the 28,963 direct jobs across the three potential tax sites:

- ▶ 15,665 jobs will be in the manufacturing sector;
- ▶ 10,185 will be in the logistics sector;
- ▶ Up to 1,000 jobs in aviation cargo related jobs;
- ▶ 1,557 will be in the commercial sector; and
- ▶ 556 will be in the energy sector

### Additionality of Investment

The site development plans set out in 2b.i. demonstrate that Freeport status will lead to expanded and/or accelerated investment, with designation making a further 0.7m sq ft of development on the Ratcliffe North site viable, whilst also enabling the development of a Gigafactory on the Ratcliffe South site. At the EMAGIC and EMIP tax sites, Freeport status will support acceleration of ambitious development plans, meaning that benefits can be realised sooner. This aligns with the levelling up agenda – delayed investment in the region would mean that regional economic imbalances would be widened, making the levelling up challenge even greater.

The graph below demonstrates how, when compared to a Do-Nothing scenario, the Freeport scenario results in both an acceleration of investment and development and a greater scale of jobs:



For each tax site, a breakdown of the additional jobs impact is provided below:

- ▶ Ratcliffe-on-Soar: Gross jobs with the Freeport peak at 12,939 in 2031 – without the Freeport this figure would peak at 9,912 but this would not be achieved until 2049. In 2031 without the Freeport gross jobs would be just 2,690 as a direct comparison.
- ▶ EMAGIC: Gross jobs with the Freeport peak at 6,807 in 2030 as opposed to achieving this figure in 2038 without the Freeport.
- ▶ EMIP: Gross jobs with the Freeport peak at 9,217 in 2029 as opposed to achieving this figure in 2034 without the Freeport.

Given the different time profiles for the Freeport and Do-Nothing scenarios, a more comprehensive picture of additionality is provided through the analysis of the GVA impact.

#### GVA Impact

An assessment has also been undertaken of the net additional Gross Value Added (GVA) generated as a result of the operational jobs expected to be created through each option. This has been based on the FTE job estimates and average GVA per FTE job figures for the relevant sectors sourced from Oxford Economics.

As well as securing employment opportunities, Freeport status will provide incentives and confidence that will enable investment and site development at an accelerated rate. This, in combination with the jobs being high quality across a range of target sectors including advanced manufacturing and advanced logistics, will provide a boost to economic activity as measured by GVA.

The table below sets out the net additional GVA impact for each site (based on a 30-year appraisal period with discounting at 3.5%):

GVA Impact (£bn PV)	Net Additional (Freeport vs Do Nothing plus accounting for leakage, displacement and substitution)		
	Direct	Indirect/Induced	Total
Ratcliffe-on-Soar	£3.22bn	£4.35bn	£7.57bn
EMAGIC	£0.26bn	£0.21bn	£0.47bn
EMIP	£0.37bn	£0.42bn	£0.79bn
<b>Total</b>	<b>£3.85bn</b>	<b>£4.98bn</b>	<b>£8.83bn</b>

Over a 30-year appraisal period from occupation, the three sites will generate net additional GVA of £3.9bn, increasing to £8.8bn once indirect and induced impacts across the wider region are taken into account.

#### Trade Throughput

There are a number of international examples of how reduced barriers to trade, such as the targeted Tax Incentives and Customs Reliefs available within the Freeport, can increase trade flow, for example:

- ▶ The Kaliningrad Special Economic Zone, boosted by the addition of an airport in 2007, tripled its industrial production between 2005 and 2015<sup>28</sup>.
- ▶ The AQABA Port, a multi-modal Special Economic Zone in Jordan served by King Hussein International Airport, demonstrated a 27% increase in total cargo within a three-year period following the Special Economic Zone status applied in 2001<sup>29</sup>.
- ▶ The range of container growth increases subsequent to the application of Trade Port status in three cities in China (Ghanghzhoh, Shenzhen and Tanjung) ranged from 4% to 31% across a four-year period from 2014 to 2018<sup>30</sup>.

The Freeport Tax and Customs benefits offered are formed in the English legislative landscape making detailed lateral comparison to international Economic Zones compound, however the available evidence reinforces the case for trade throughput growing significantly in the East Midlands as a result of Freeport status. Additionally, the multi-modal nature of the Freeport proposition and the intent to attract businesses that will import goods and components to process and manufacture on site could offer further trade flow into the East Midlands.

The global air and rail freight connectivity at the EMAGIC site is the foundation of the East Midlands Freeport value proposition. As the only airport-centered Freeport in England it offers a truly unique multimodal inland hub that can both propel regional growth and operate as an accelerator to achieving objectives across the Freeport ecosystem. The site's global air and rail coverage to the nation's deep ports are crucial to the success of EMF and mean that the UK's freeport proposition can truly be positioned as global, unlocking a raft of trade and investment opportunities that otherwise would not exist.

Multi-modal connectivity is achieved with East Midlands Airport offering non-stop cargo connections to major cities throughout Europe, North America and the Middle East, the rail terminal offering direct connections to all coastal Freeports, plus proximity to the M1 meaning that 91% of the UK population is within a 4-hour drive. The proposition of air and rail freight access to global markets is a compelling rationale for investment by businesses in target sectors at the EMAGIC site, across the wider EMF sites, and beyond to other Freeports. Illustrating this, East Midlands Airport already carries over 406,000 tonnes of cargo per annum with a value of over £40bn, SLPEMG handles 1 million tonnes of cargo per annum and Maritime Transport's Rail Terminal offers complementary global connectivity via the major deep-sea container ports. These volumes are projected to grow exponentially through Freeport status that would reinforce the region as a national hub for trade and investment.

The EMF Logic Model in Annex A sets out how the East Midlands will be established and safeguarded as a national hub for global trade and investment by attracting FDI, new regional exporters and increased international trade volumes in manufacturing and logistics. These outcomes will be achieved through the designation of customs sites with simplified procedures to facilitate trade in combination with a coherently expressed investor value proposition leading to an expansion of Advanced Manufacturing and Logistics businesses.

Key target sectors including advanced manufacturing and logistics, situated within proximity of the Midlands logistics corridor, offer clustering benefits that are advanced by the levers of the customs and tax site offering. The combination of EMF's strategic location and the clustering benefits in the advanced manufacturing and logistics sector offer businesses with complex supply chains a direct and efficient route to market. EMF has developed a detailed Trade and Investment Strategy that aims to highlight the competitive advantage of EMF in regards to attracting inward investment and global trade. EMF's Trade and Investment Strategy builds on the plans to attract end users for customs sites (see Section 1d above) through a clear communications and marketing strategy and by clearly outlining intentions to work with regional economic bodies and align with national government objectives. The full Trade and Investment strategy can be reviewed in Annex K.

#### *Wage Uplift*

According to data from the ONS Centre for Subnational Analysis, annual gross pay in 2021 averaged £27,632 in the East Midlands, compared with a UK average of £31,447. This evidences a regional shortfall that the Freeport intervention could address as part of the wider levelling up agenda. The EMF will encourage investment in Advanced Manufacturing and Advanced Logistics, fostering innovation, creating employment opportunities and developing new skills in more advanced sectors that pay higher wages on average. The prospect of spillover effects from the Freeport including an uplift in wages will be driven by the extent to which the new employment opportunities will be more closely aligned with technological development, innovation and research and development than more traditional manufacturing and logistics. Currently in the East Midlands, annual gross pay in the manufacturing sector averages £33,317 while in the transportation and storage sector this stands at £30,813.

Theoretically, a shift to more advanced manufacturing and logistics would be expected to demand more skilled labour and correspondingly higher wages. In the manufacturing sector, wages have increased by 17% since 2012 and in the transportation and storage sector this increase is as much as 21%. It would be expected that a significant factor in such wage growth has been the transition to more advanced techniques and processes. Research by the OECD also recognises the positive effects that FDI has on host countries' labour markets, with wage increases corresponding with skill levels and productivity uplifts. Evidence also indicates that, while the positive wage effects tend to

<sup>28</sup> Kaliningrad Region Development Corporate. *Kaliningrad Region Territory of Opportunity*. [Kaliningrad RDC - SEZ Review](#)

<sup>29</sup> Al-Muhaisen, Sufian. *The logistics potential of the Aqaba Special Economic Zone as a regional gateway*. [The logistics potential of the Aqaba Special Economic Zone as a regional gateway \(wmu.se\)](#)

<sup>30</sup> Hu, Baoxin. *Appraisal of China Hainan free trade zone (port) – comparing with other ports in the same area*. [Appraisal of China Hainan free trade zone\(port\)-comparing with other ports in the same area \(wmu.se\)](#)

be concentrated among employees of multinational enterprises (MNEs), there also appears to be a small positive impact on wages in domestic firms participating in the supply chains established by MNEs.

## Costs

The Financial Case provides a financial profile that sets out full profiles of capital costs, operating costs and funding sources up to 2048. This includes detail of how seed capital will be allocated and key objectives that the retained business rates funding will support. For the purposes of the Economic Case, a range of seed funding scenarios are considered relative to a Do Nothing scenario. To develop these scenarios, reference has been made to the seed funding prioritization framework developed for EMF:

- ▶ For the higher seed funding option, the full set of projects that entered the gateway stage have been included. This equates to a total cost of £35.96m.
- ▶ For the £25m seed funding option, projects from the final scenario from the assessment stage have been included.
- ▶ For the minimum viable level of seed funding option, connecting road infrastructure on the Ratcliffe site has been excluded from the projects included in the £25m seed funding option given that this was the next lowest ranked project at the assessment stage. This option equates to a total cost of £12.58m.

Full details of the Seed Funding Prioritisation Framework are set out in Annex AB.

For the Do Nothing scenario, in the absence of seed capital funding, business rates retention and revenue funding, it has been assumed that infrastructure dependent on these funding sources does not go ahead while the majority of privately funded site remediation and development work could still take place. An assumption of 90% of these infrastructure costs has been made, but given the uncertainty associated with this figure, this has been subject to sensitivity testing as set out in Annex I. With restrictions on the funding available, infrastructure investment would be constrained and growth would be restricted.

A detailed breakdown of costs and funding sources for each shortlisted option, including the Do Nothing scenario, is provided in Annex I.

For each of the seed funding options, incremental costs against the Do Nothing scenario have been calculated before the application of Optimism Bias and discounting.

The HM Treasury's Green Book indicates that consideration should be given to the degree to which the intervention is subject to Optimism Bias. That is, the tendency for project sponsors to be overly optimistic about the costs of the project, the timescale necessary for delivery, and the benefits that may accrue. The supplementary guidance to the Green Book recommends that the upper bound Optimism Bias value should be adjusted to reflect the extent to which contributory factors have been mitigated. A mitigated Optimism Bias adjustment of 25% has been applied.

## Benefits

The scope of benefits assessed are based on impacts where evidence for assessment is currently incorporated in Green Book and Departmental guidance, thus enabling calculation of a BCR.

The following benefits have been assessed:

- ▶ **Land Value Uplift** – the private benefit associated with the change in land use, as represented by the uplift in land value arising from the land moving from its current use to a more productive use;
- ▶ **Transport Benefits** – benefits arising from investment in transport infrastructure (road, rail, airport and active mode) in terms of decongestion, improved connectivity and corresponding environmental benefits;
- ▶ **Environmental Benefits** – benefits arising from investment in Hydrogen infrastructure; and
- ▶ **Skills Investment** – benefits arising from investment including a Hydrogen Skills Academy in terms of increased productivity.

These benefits have been identified in line with the categories of infrastructure costs that will be required to support the Freeport and ensure optimisation of delivery in line with the key strategic objectives of the Freeport. Mapping each benefit to specific infrastructure investment provides reassurance that the BCR does not include any double counting.

There are a number of challenges when applying Optimism Bias to estimated benefits, and so the risk that the estimated benefits will not materialize is accounted for in the Risk Appraisal section.

The BCR should capture both the incremental costs and the incremental benefits relative to a Do Nothing scenario. Our approach has therefore been to identify the incremental costs associated with each shortlisted option and then, once Optimism Bias and discounting have been applied, identify Present Value Costs (PVCs) associated with the following:

- ▶ Rail-related infrastructure;
- ▶ On site and connecting road infrastructure;
- ▶ Training and skills infrastructure; and

▶ Hydrogen infrastructure.

These PVCs have then been converted into Present Value Benefits (PVBs) based on a literature review to identify appropriate benchmarks for return on investment in the above listed areas. Full information on the literature review and BCR benchmarking is provided in Annex I.

Further information setting out the logic and evidence for anticipated benefits to society arising from investment in skills, site access and transport connectivity is presented below. This includes a summary of the transport modelling workstream that has been a key input into the development of the FBC.

*Skills Investment Benefits*

Investment in skills infrastructure, leading to greater participation in higher education, would have wide ranging benefits for society as well as the individuals involved. A research paper by the Department for Business, Innovation and Skills identified the following economic and wider benefits to society:

- ▶ **Increased tax revenues** – net working life benefits to the Exchequer of £260,000 for men and £315,000 for women based on a first degree versus 2+ A levels.
- ▶ **Faster economic growth** – around 20% of UK economic growth between 1982 and 2005 came as a direct result of increased graduate skills accumulation. A 1% increase in the share of the workforce with a university degree raises long-run productivity by between 0.2% and 0.5%.
- ▶ **Greater innovation and labour market flexibility** – firms which are innovative have a higher proportion of their workforce with graduate level qualifications. Amongst firms active in innovation, around 5% of the workforce are science graduates and a further 8% are graduates in other subjects, compared with 1% and 3% respectively for firms not active in innovation.
- ▶ **Increased productivity of co-workers** – a 1% increase in the proportion of the workforce with a degree, instead of A-levels or equivalent, is estimated to lead to a 0.5% increase in productivity.
- ▶ Wider benefits to society include greater social cohesion, trust and tolerance, less crime, political stability, greater social mobility and greater social capital.

While plans for the Hydrogen Skills Academy are still progressing in terms of the number of students expected to benefit from its courses, it is clear that the intervention will support the upskilling of the regional workforce, driving regeneration and contribute significantly toward the Levelling Up agenda.

*Site Access Investment Benefits*

Investment in improving access to the Freepport sites, such as planned cycle routes to connect the South Derby Growth Zone, EMIP and the Toyota site to surrounding communities, will build on existing infrastructure to facilitate better access to the site and promote sustainable transport modes, which in turn will:

- ▶ Reduce greenhouse gas emissions;
- ▶ Support regeneration of local areas by creating sustainable employment; and
- ▶ Improve physical regional connectivity and integration.

*Transport Benefits*

This section sets out in detail the initial transport modelling that has been carried out, quantifying the impact on congestion from Freepport growth and setting out a commitment to mitigating these impacts through investment in transport infrastructure. While further work is required, the Economic Case retains an assessment of transport benefits based on the application of a literature review and benchmarking. However, further sensitivity testing has been carried out to demonstrate the robustness of the Economic Case if transport benefits were to provide a much lower return on investment. It should also be acknowledged that quantifying transport benefits is complex and, following advice from the Freepport Hub, reference is made to the commitment of the Freepport to improved connectivity across the region through the Logic Model and a robust monitoring and evaluation approach.

**Overview of transport modelling approach**

Alongside the development of the Full Business Case (FBC), Leicestershire County Council (LCC) and their consultants AECOM have carried out a Transport Modelling workstream to assess the potential transport impacts arising from the additional traffic generated by the economic growth of the East Midlands Freepport (EMF). The report produced proposes a suggested package of transport mitigation to address impacts, with the identification of potential mitigation being primarily focused on the highway network. High-level cost estimates of the mitigation package have also been produced.

This assessment has been carried out in line with the Department for Transport (DfT) Transport Analysis Guidance (TAG) and has used the LCC strategic Pan-Regional Transport Model (PRTM) as the basis for the assessment.

The approach involved the following steps:

- ▶ Model set up including base year review;

- ▶ Identify and agree modelling assumptions;
- ▶ Run the strategic transport model 'Without Freeport' and 'With Freeport' scenarios;
- ▶ Analyse model outputs;
- ▶ Identify areas of potential significant impact ('hotspot areas');
- ▶ Hold a mitigation workshop with key stakeholders to present analysis and hotspots of impacts, and initial views on how to address impacts arising;
- ▶ Receive stakeholders' feedback on information presented at the mitigation workshop;
- ▶ Develop initial mitigation package, drawing on existing information from the OBC where suitable, with high level costing (by broad cost bands) and share with stakeholders for further comments;
- ▶ Agree proposed mitigation package with LCC and refine costs; and
- ▶ Test proposed mitigation package with PRTM strategic modelling, analyse outputs and refine the mitigation package (minor changes).

**Model inputs and assumptions**

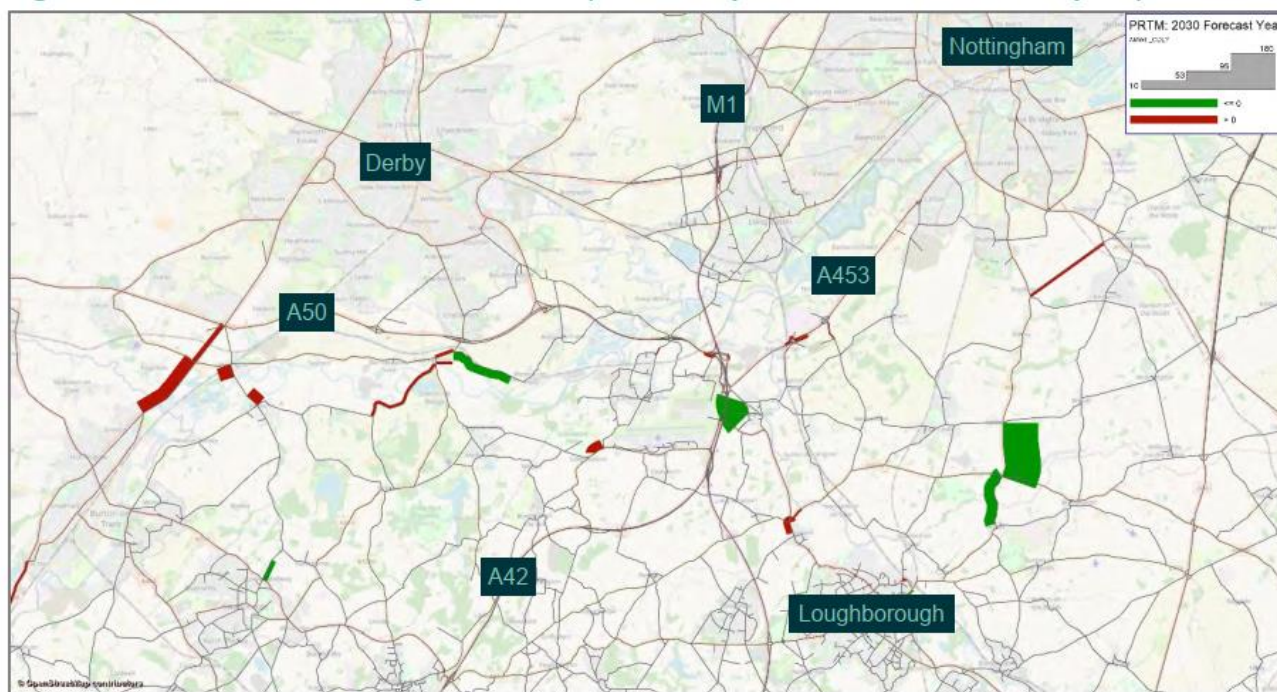
An assessment year of 2030 was selected as it represents a year in which the Freeport is expected to be fully built-out and gives the largest difference in terms of jobs between the 'Without Freeport' and 'With Freeport' scenarios. Therefore, comparison of the scenarios in 2030 can be considered the "worst case" in terms of impact on the transport network.

Across the Freeport tax sites, growth in each scenario is based on discussions with landowners. Development trip rates are derived from the DfT's National Trip End Model, and trip distribution is based on PRTM's standard gravity model.

LCC collated the latest planning data for Leicestershire, Derbyshire, and Nottinghamshire, which has been used to develop the 2030 'Without Freeport' scenario. Similarly, infrastructure assumptions have been reviewed and checked to ensure that they represent the latest available data for Leicestershire, Derbyshire, and Nottinghamshire. Each scenario also includes indirect and induced jobs created through the supply chain and expenditure effects. These have been distributed across the three counties based on the available base year employment distribution.

**Quantifying the impact of the Freeport on congestion**

The figure below illustrates the forecast difference in the AM Peak hour vehicle delay in the 2030 'With Freeport' scenario versus the 'Without Freeport' scenario (red indicates an increase in vehicle delay, green indicates a decrease). The results for the PM Peak have also been analysed and show broadly consistent patterns of change.



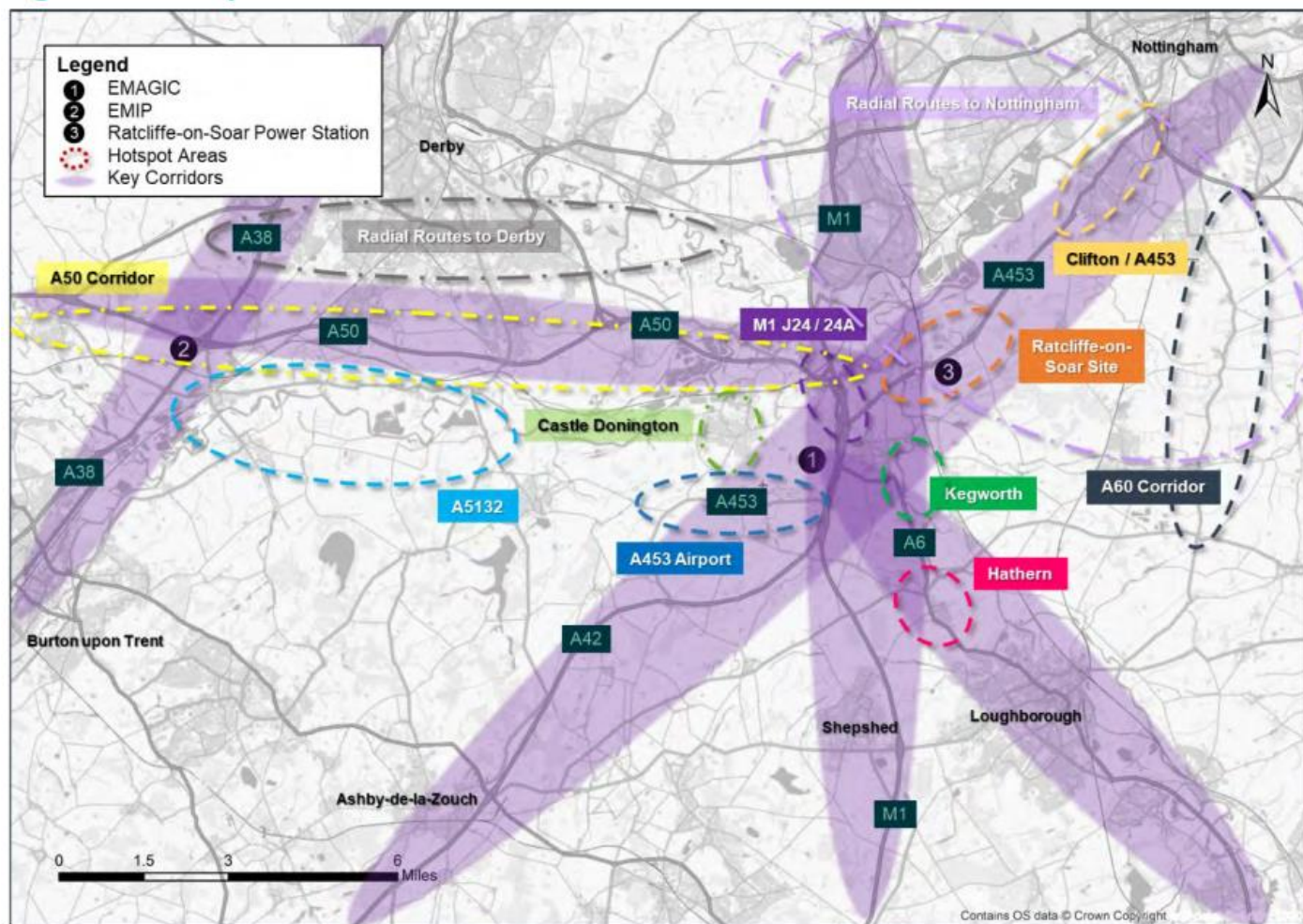
Across the entire modelled area and all user classes, total travel time increases with the Freeport by 1,899 Passenger Car Unit (PCU) hours in the 2030 AM Peak hour and 1,245 PCU hours in the 2030 PM Peak hour. Mitigation of these congestion impacts would equate to

an annual monetised benefit of around £12.7m based on the TAG Data Book. Assuming expansion factors to 3-hour peak periods of 2.5, this figure grows to around £31.8m (DfT data on weekday traffic distribution suggests that this is a conservative assumption).

The selection of one forecast year (rather than two or more forecast years) means that it has not been possible to represent the phasing of the Freepoint sites over time as they open and generate traffic. Consequently, the impacts of the additional Freepoint traffic during site build-out are unknown, and the mitigation measures proposed in this work are not phased or prioritised. An understanding of the phasing of the Freepoint sites would inform a view on how traffic could grow, and how mitigation schemes would need to be prioritised or sequenced.

### Identifying hotspot areas and a mitigation package

Based on outputs from the modelling and following a workshop with stakeholders, the following map of hotspot areas and corridors was identified:



For each of the following locations, an initial long list of high-level mitigation measures was identified:

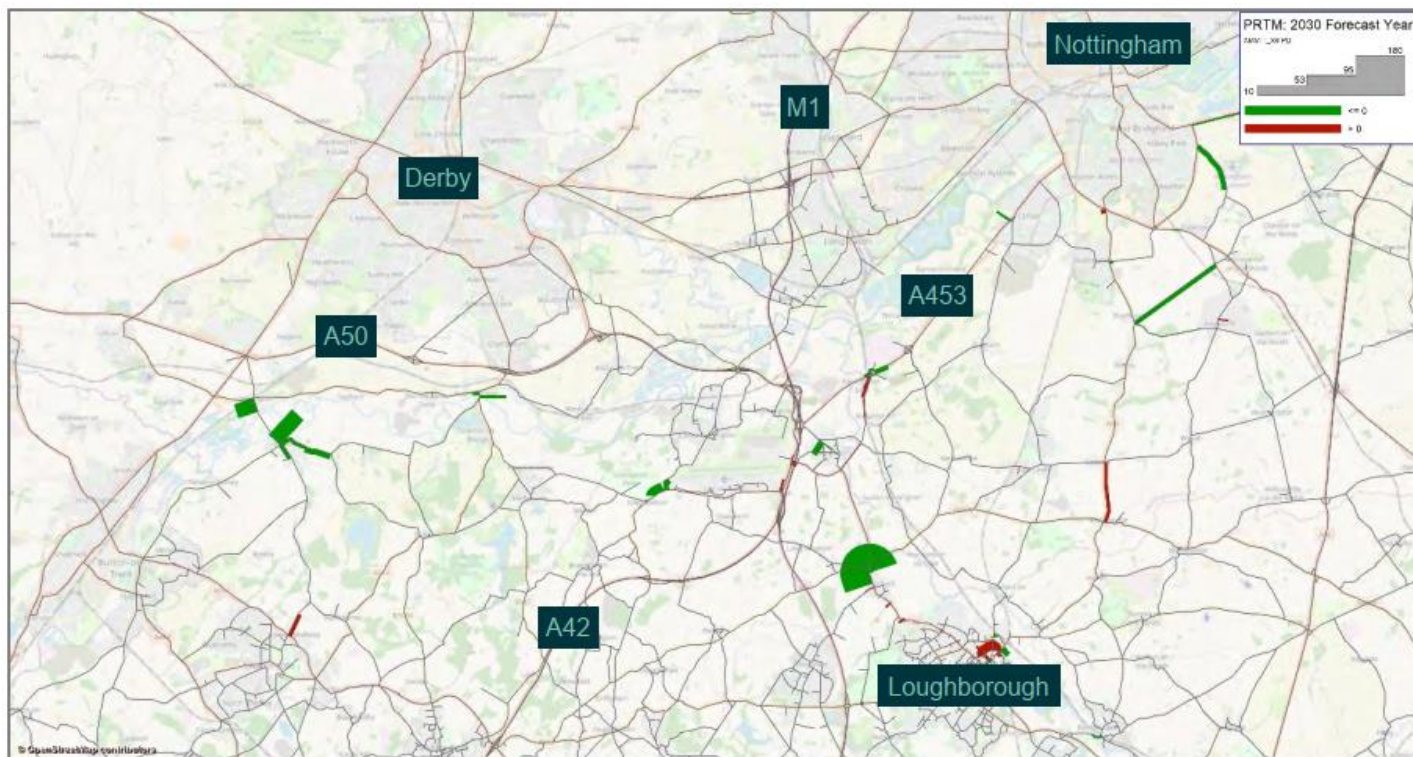
- ▶ M1 Junction 24
- ▶ M1 Junction 24a
- ▶ Kegworth
- ▶ Ratcliffe-on-Soar site
- ▶ A453 Clifton
- ▶ A453 / Airport Perimeter Road (Unnamed) Signalised Junction
- ▶ Castle Donnington
- ▶ A60 Corridor / Loughborough Road
- ▶ Hatfield

- ▶ A5132
- ▶ A38 near A50 Junction 4

Two packages of mitigation were developed: one focusing on improvements at M1 Junction 24/24a and the other on improving the network elsewhere, specifically around Kegworth, to enhance capacity in the surrounding area and indirectly help address congestion at M1 Junction 24/24a. Given questions around the feasibility of delivering improvements at M1 Junction 24/24a, the second package was selected as the more appropriate to take forward.

High-level capital costs for the preferred package were estimated using indicative unit benchmarks capital costs relevant to the intervention type based on previous work by AECOM and other published research. A central cost estimate was calculated with a range of +/- 25% to allow for uncertainty. The indicative central estimate of Package 2 is £85m, with low and high estimates providing a range of £64m to £106m.

The figure below illustrates the forecast difference in AM Peak hour vehicle delay in the 2030 'Mitigation' scenario versus the 'With Freeport' scenario. The results for the PM Peak have also been analysed and show broadly consistent patterns of change.



There is variability in the extent to which the proposed mitigation measures at hotspot areas relieve congestion and delay issues brought about in the 'With Freeport' scenario. In some cases, there is a significant improvement in terms of network performance, whereas elsewhere the mitigation proposals tested have not fully resolved the issues highlighted, and/or created secondary knock-on impacts. Consequently, certain mitigation proposals will require further refinement in later work.

**Acknowledging the complexity in quantifying transport benefits**

The initial transport modelling work recognises that the Freeport will have an impact on congestion across the region, meaning that there is scope for transport investment to mitigate these impacts. However, further work is required to refine these mitigation proposals based on land included in the three designated tax sites, develop detailed designs that address delays more comprehensively, develop associated costs that build on initial estimates and establish the value for money of investing in a package of transport measures. The work carried out to date shows evidence of the commitment of EMF to ensure that any potential negative impacts across the region are mitigated and to go further by investing to enhance connectivity. There is expected to be a step change in transport connectivity across the region with major rail developments, road enhancements and improved public transport links. Whilst the Freeport is expected to enable and strengthen coordination between Partners to improve regional transport connectivity, it will be through the individual sites' planning applications that many critical final transport improvements will be determined.

The Economic Case demonstrates that robust consideration has been given to both seed capital allocations and key objectives across the region supported by retained business rates, including connectivity. While the application of BCR benchmarks based on a literature review leads to some uncertainty, sensitivity testing has demonstrated that removing 80% of the transport benefits would still give a BCR over 1.

Given the complexity in quantifying transport benefits and through discussions with the Freeport Hub, reference is made to DfT's Future Mobility Zones Business Case, where traditional appraisal methods were not considered adequate for the specific complexities of the problem. Instead, a logic model was developed and supplemented by a robust monitoring and evaluation framework to confirm the benefits.

The EMF Logic Model is set out in Annex A, providing clear links between the activities and inputs, outputs, outcomes and impact of the proposed Freeport model to show how the Freeport will achieve its objectives. The model helps to identify how the Freeport levers available will interact with local characteristics and other inputs (e.g. investment by the port and local area) to achieve measurable outputs and ultimately the desired outcomes. The model identifies the strength of the region’s international gateways whilst also recognising an opportunity to invest in transport infrastructure. Coordination of this investment will ensure that access to, from and between the Freeport sites will be optimised, supporting regeneration of the region with accessible job creation. A robust approach to monitoring and evaluation, drawing on this theory of change, will support the collection and sharing of data on changing travel patterns and any knock-on congestion impacts, ensuring commitment to mitigating these impacts and investing to improve connectivity across the region.

### Value for Money

The CBA element of the overall VfM appraisal draws together the quantitative assessments of costs and benefits for each shortlisted option relative to the Do Nothing scenario. In calculating a BCR for each option, DLUHC guidance has been followed which states that the BCR formula for regeneration projects is as follows:

$$BCR = \frac{(PV) \text{ Total benefits} - (PV) \text{ Total private sector costs}}{(PV) \text{ Total public sector costs}}$$

The table below brings together the costs and benefits of the shortlisted options (discounted to 2021):

Total net additional benefits (£'000)	£25m Seed Funding Option (NPV, 2021 prices)	Minimum Viable Level of Seed Funding Option (NPV, 2021 prices)	Higher Level of Seed Funding Option (NPV, 2021 prices)
<b>Benefits of the BCR</b>			
Land Value Uplift (LVU)	£243,882	£243,882	£243,882
Transport Benefits	£717,985	£678,652	£744,351
Environmental Benefits	£129,338	£129,338	£133,656
Skills Investment	£667,349	£667,349	£667,366
<b>Total benefits for the BCR</b>	<b>£1,758,553</b>	<b>£1,719,221</b>	<b>£1,789,254</b>
<b>Costs</b>			
Public sector cost (including capital seed funding)	£623,573	£609,526	£635,542
<b>Total cost</b>	<b>£623,573</b>	<b>£609,526</b>	<b>£635,542</b>
Private sector cost	£572,053	£572,053	£572,053
<b>BCR</b>	<b>1.9</b>	<b>1.9</b>	<b>1.9</b>

All of the shortlisted options represent medium value for money compared to the Do Nothing scenario, with no significant differences between the options and BCRs falling in the range of 1.5 to 2.0. The only differences between the options are the levels of seed funding, how this is allocated and the transport, environmental and skills benefits that such investment generates. A preferred option will be recommended once qualitative impacts and risks have been considered.

### 2b. iii. Qualitative Benefits Appraisal

As well as the benefits that can be monetised and included in a BCR calculation, business cases should also include analysis and evidence of any non-monetised benefits, where these have been identified. Where monetisation is not possible, a full qualitative assessment of the potential impact should be carried out as part of the overall value for money assessment.

The following non-monetised benefits have been identified:

- ▶ Increased opportunities for training and future employment;
- ▶ Knowledge spillover for existing firms;
- ▶ Potential for environmental disbenefits from site development in terms of noise, air quality and biodiversity impacts;
- ▶ Image benefits – these relate to one of the key priorities of local partners being to create a strong brand and identity for the East Midlands, allowing it to better compete on the national and international stage. By bringing together the three priority development locations, with a shared governance and delivery structure, there is potential to improve perceptions of the region for people that could choose to live, work or invest in it, create a greater sense of pride in the region and retain householders in the area; and
- ▶ Integration with the wider Freeport geography – the scope for integration with the wider Freeport geography and support for other business cases across the region that contribute to the overall regional economic package will be greater in options where there is greater investment in transport access and skills.

For each of the qualitative impacts considered, an assessment has been provided for each of the seed funding options relative to the Do Nothing scenario. These assessments are based on a 3 point scale as follows:

- ▶ **Low impact:** it is considered that the option is only expected to have a marginal impact upon the qualitative impact being assessed.
- ▶ **Medium impact:** it is considered that the option is expected to have a moderate impact upon the qualitative impact being assessed.
- ▶ **High impact:** it is considered that the option is expected to have a significant impact upon the qualitative impact being assessed.

In providing a judgement on how each option scores against each qualitative impact, reference has been made to seed funding has been allocated. Details of how seed capital will be allocated for the £25m seed funding option are set out in the Seed Funding Prioritisation Framework in Annex AB. For the purposes of the Economic Case, a higher seed funding option has been developed that includes the full set of projects that entered the gateway stage. A minimum viable level of seed funding option has also been developed that excludes connecting road infrastructure on the Ratcliffe site.

As the minimum viable level of seed funding option excludes connecting road infrastructure at the Ratcliffe site, the scoring of this option for access to training and employment opportunities, and integration with the wider Freeport geography is low impact. Conversely, the most significant addition in the higher level of seed funding option is more funding allocated to connecting road infrastructure at the EMIP site, meaning that the scoring of this option for access to training and employment opportunities, and integration with the wider Freeport geography is high impact. Increased opportunities for training and future employment and integration with the wider Freeport geography are key objectives of Freeport designation from HMG in terms of promoting regional regeneration and accessible job creation. For the other qualitative impacts, it has been considered that there will be little variation between the options.

The table below summarises the qualitative assessments for each of the seed funding options relative to the Do Nothing scenario.

Qualitative impacts	£25m Seed Funding Option	Minimum Viable Level of Seed Funding Option	Higher Level of Seed Funding Option
Increased opportunities for training and future employment	Medium impact	Low impact	High impact
Knowledge spillover for existing firms	Medium impact	Medium impact	Medium impact
Environmental disbenefits from site development	Low impact	Low impact	Low impact
Image benefits	Medium impact	Medium impact	Medium impact
Integration with the wider Freeport geography	Medium impact	Low impact	High impact

## 2b. iv. Wider Impacts

Access to the Freeport levers will drive wider impacts that otherwise wouldn't be achieved in the absence of expansion and acceleration of investment and economic activity across the three potential tax sites that will be enabled through designation. The positive impacts of Freeport status on the wider economy, the regional society through regeneration of local communities, and the natural environment in the context of Net Zero, whilst ensuring that inclusive growth is achieved, aim to leverage the distinct components of the East Midlands Freeport's value proposition.

Importantly, East Midlands Airport's unique global air freight connectivity and inland position mark it as a **central connectivity axis**, while Maritime Transport's Rail Terminal offers complementary global connectivity via the major deep-sea container ports. EMF's global air and rail coverage to the nation's deep ports means that the UK's freeport proposition can truly be positioned as global, unlocking a raft of trade and investment opportunities that otherwise would not exist.

Furthermore, the East Midlands Freeport makes up part of a comprehensive regional offer, ensuring synergy between key strategic initiatives underway and providing a means through which key vehicles such as DevCo, Midlands Engine and Midlands Connect can deliver value that is greater than the sum of their parts.

### Wider economic benefits – clustering and agglomeration

The East Midlands Freeport will build on existing strengths in manufacturing and logistics by attracting investment that will unlock thousands of jobs, support underserved communities, create skills and training opportunities, and boost productivity. The manufacturing sector accounts for a relatively large proportion of the East Midlands economy, with 7.5% of the business stock compared to 5.7% of the UK average. The East Midlands also continues to be a strong export performer, accounting for almost 6.5% of total UK manufacturing exports. The East Midlands also contributes over £5bn in GVA in the logistics sector<sup>31</sup>. Freeport status will accelerate growth across these sites and support levelling up across the region acting as a key foundation to the region's regeneration ambitions.

Given the region's diverse economic base and multimodal infrastructure, the East Midlands has huge unrealised economic potential. Agglomeration economies could be maximised by attracting investment in sectors where the East Midlands has a competitive advantage, resulting in productivity gains, improving competitiveness, and setting the regional economy on a more dynamic and robust growth trajectory.

The Freeport levers will minimise trade frictions and costs, sustaining and enhancing the attractiveness of the region as a location for investment. This will strengthen existing industrial clusters in the advanced logistics and high value manufacturing sectors, and create new clusters around the zero-carbon transition. For example:

<sup>31</sup> Source: ONS

- ▶ A Gigafactory is an ideal occupier for the Ratcliffe site alongside other advanced manufacturing, reinforcing the regional strength in manufacturing and strengthening the supply chain;
- ▶ Uniper UK are developing proposals for an innovative low carbon energy hub to support future industrial investments at the Ratcliffe site. These proposals are a potential attractor for external investors and could also bring forward opportunities to demonstrate innovative new technologies at commercial scale;
- ▶ A potential large scale demonstration zone for low carbon research would encourage a range of associated research and advanced manufacturing uses on the Ratcliffe site;
- ▶ The EMIP site is expected to draw automotive supply chain manufacturing. The site offers value-added accommodation for automotive suppliers creating a more resilient supply chain and the potential to attract more of the supplier base into the local area; and
- ▶ The EMAGIC site will build on the airport's role as a global trade hub and new development will attract innovative market entrants in cargo, logistics, and advanced transportation technologies.

Businesses in the Freeport will benefit from localisation effects including specialised supply chains and a skilled labour pool. Close proximity to clusters of firms in similar or related sectors, such as Infinity Park and the Manufacturing Technology Centre, and to world-leading research facilities, will stimulate knowledge spill overs and innovation. Industrial clustering and the incentives packages provided by the Freeport will establish and strengthen the East Midlands as a national hub for strategic, competitive, and forward-looking industries that are fully integrated in global supply chains, resulting in significant productivity gains.

The specific focus of each site in niche activities will minimise displacement and this will be reduced further by maximising the potential for spill overs from tax and customs sites to the local area, through supply chain opportunity-mapping, enabling local SMEs to supply into Freeport businesses, transport planning to ensure people can access labour market opportunities, and codes of conduct set by the Governance Body to encourage community-focused growth and avoid displacement of existing businesses from outside the Freeport.

In particular, focus will be applied to maximising the potential of SMEs within the region. The East Midlands is home to 314,000 SMEs, 84,000 of which have employees<sup>32</sup>. Leicester in particular has a relatively large number of micro businesses and SMEs compared to other cities in England with around 5.5 SMEs per 100 people of working age population<sup>33</sup>. This recognises that both innovation and sustainable growth that is sought from the Freeport will be materially contributed to by the activity of SMEs in the region.

### Social impact

As set out in the Logic Model in Annex A, one of the overarching Freeport objectives is to promote regional regeneration and accessible job creation. The key measurable outcomes of the Freeport that will support this are:

- ▶ Increased employment, local economic activity, and wages to those in deprived areas;
- ▶ Upskilling of workforce, including the number of apprentices, T-levels and work experience visits; and
- ▶ Improved workplace accessibility as well as regional, national and international physical connectivity

The Freeport sites will be supported by a regional labour market that has the capacity to accommodate growth in employment (which will minimise displacement impacts). Research being carried out by Onward<sup>34</sup> shows that the East Midlands is one of the areas with the highest proportion of carbon intensive jobs in the country. HMG's Net Zero policy is therefore going to have a material impact on the labour market. The opportunity to create new, better paid jobs, in areas that will lose jobs due to the Net Zero push is high. The Freeport would be a catalyst in getting the East Midlands labour market ready for Net Zero. The region has also been disproportionately impacted by the COVID-19 pandemic and the Freeport would help to mitigate the uncertainty of recovery. The Freeport could help the region to Build Back Better, encouraging investment that would enable a stronger and greener recovery and avoid leaving the region lagging behind post-COVID. The Midlands were hit hardest by the pandemic due to reliance on the manufacturing sector, with a shortfall in activity by Q4 2020 of between 15% and 20%<sup>35</sup>.

The labour market is underpinned by an established network of skills and employment programmes. This will ensure that potential employees are targeted, upskilled, reskilled or redeployed to align with the full range of employment opportunities. Access to employment growth sites will be enabled by investment in infrastructure that will unlock congestion hotspots and improve public transport provision in developing a more connected region.

It is vital that the Freeport links to the major cities across the region to ensure unemployment is impacted positively. Derby has seen a large increase in unemployment during the pandemic with an increase in UC claimants of 7,000 between March 2020 and March 2021. Cities have been impacted more than county areas with Leicester and Nottingham having similar levels of claimants. These cities need the injection of jobs and opportunities that will support a reduction in unemployment and a rebalancing of the regional economy.

There is a persistent productivity gap and skills lag in the region compared to the UK as a whole. For example, D2N2 experiences a 14% productivity gap compared to England as a whole and this gap has been widening (11% in 2004), while the LLEP area has a higher than average proportion of adults with Level 3 (A Level equivalent) or lower qualifications. The region also suffers from a prevalence of labour-intensive occupations, which are often low paid. The average income in local workplaces is approximately £70 per week less than national

<sup>32</sup> British Business Bank

<sup>33</sup> De Montfort University

<sup>34</sup> Onward. (2021). *Greening the Giants*

<sup>35</sup> EY analysis

levels. As a consequence, the city of Leicester ranks poorly on scales of deprivation, with up to 30% of neighbourhoods being amongst the most deprived in the country. Nottingham and Derby stand out with relatively large proportions of neighbourhoods in the 10% most deprived and Nottingham remains one of the most deprived cities in the country (ranked 10<sup>th</sup> in IMD 2019). The Freeport will encourage investment in sectors that will provide a shift to more productive, higher skilled and higher wage jobs across the region, helping to contribute to levelling up. It is expected that 10% of the jobs created will be taken up by new entrants / returners to the labour market. In line with DLUHC guidance, the labour supply benefits are expected to persist over a ten-year period.

The Freeport therefore presents opportunities for regeneration and inclusive growth. By connecting the opportunities from the economic growth in the Freeport to local people, through co-ordinated skills and employment programmes and improved connectivity, the Freeport will support much wider regeneration in the region. Local authorities are also committed to reinvestment of business rates that would not be possible without Freeport status and which will help to address pressing levelling up issues including:

- ▶ Regeneration in town centres impacted by Covid-19 and declining high streets, through provision of low carbon networking hubs to support innovation, and the creation of new businesses.
- ▶ An increase in employment, providing business starts ups and growth as part of new and increased supply chain activity.
- ▶ Creating new, high skills, high wage jobs to level up the region and to tackle a key weakness of our area - retaining graduates.
- ▶ Stimulating new homes to accommodate employment, retaining staff within the area ensuring locally generated income stays local.

The Freeport will act as a catalyst for implementing the HMG's Skills for Jobs White Paper, ensuring education and training to support the development of skills linked to jobs that will improve national productivity and addressing skills gaps in higher level technical skills. This will be led by employers in collaboration with a local Institute of Technology (IoT), with access to courses developed through the Skills Value Chain for manufacturing. The IoT is a collaborative proposal submitted by Derby and Loughborough universities in partnership with Toyota, Uniper UK and a range of colleges that will provide coordinated skills delivery across the entire Freeport geography with a focus on low carbon and digital skills for manufacturing and construction. It is forecasted that there will be growth in demand across a range of skills with expertise in logistics, advanced manufacturing and hydrogen power, but also in areas such as security and customer service.

This will build upon a strong foundation of six universities producing high calibre graduates, strong further education infrastructure and a wide range of businesses providing technical training including:

- ▶ East Midlands Airport Academy: pre-employment training, job-search support, work experience, interview skills and CV development.
- ▶ East Midlands Airport's continued support and investment in a public transport network to ensure affordable access to work for those in hard-to-reach communities.
- ▶ Toyota's on-site Academy: high-level training in automotive engineering and maintenance, logistics and warehousing.
- ▶ Toyota: partners with the Derby Manufacturing University Technical College, helping train a high value, highly skilled workforce.
- ▶ Toyota and Uniper UK: industry partners of the Institute of Technology bid from Derby and Loughborough for low carbon and digital skills for manufacturing and construction.

Investment in a Hydrogen Skills Academy (HSA) will enable further narrowing of skills gaps. The HSA will complement hydrogen developments on the EMAGIC and EMIP sites and will be the UK's first practical, industry-based training centre associated with the production, handling, storage and use of hydrogen. The ambition is to centre a network of organisations working collaboratively across the UK. Creating a skilled and qualified workforce is critical to enabling the region's transition to hydrogen technologies and will position the East Midlands at the forefront of the UK's energy transition.

The HSA project will build on the area's existing hydrogen training capacity and expertise including the national flagship Sustainable Hydrogen Centre for Doctoral Training (University of Nottingham, Loughborough University and University of Birmingham), postgraduate and undergraduate degrees in science, engineering and business at a number of the regions, and professional work-based learning such as Higher Degree Apprenticeships, vocational engineering and manufacturing training at many of our Universities and FE Colleges.

The HSA will seek to enable new-entrant and cross-skilling entry routes into the workforce facilitating the transition of the East Midlands into a more highly skilled, better paid hydrogen economy. The HSA will provide a range of practical skills programmes, from introductory awareness training, short intensive 'bootcamp' courses through to multi-year apprenticeships, the HSA will create career development pathways required to accelerate the region's hydrogen transformation over this decade. It also brings an opportunity to provide "on the job" training for SMEs who would otherwise struggle to recruit apprentices and wider talent, promoting inclusive growth. By connecting with the regional FE and HE providers, the HSA also adds practical hands-on-training and awareness of hydrogen applications to complement science and engineering education and re-education across a broader spectrum of education levels. Greater awareness of the benefits of low carbon hydrogen applications will also drive growth of the regional cluster of hydrogen technology led businesses and the overall transition to net zero in the Freeport, nationally and internationally.

Matching the demand for and supply of skilled labour will help to address regional issues of graduate retention (only 17% of graduates from East Midlands universities remain in the area a year after graduation). There are also well-evidenced links between reduced unemployment and reduced perception of and experience of crime in an area. Similarly links between improved incomes and health impacts over the longer-term that reduce the need for public spending and improve the duration of working life. For example, research by the Institute for Fiscal Studies highlights a long-term trend between low wages and property crime, stating that "crime rates should be higher where and when wages at the bottom end of the wage distribution are lower, reflecting poorer labour market opportunities". The Health Foundation reports that 32% of people in the lowest income category (poorest) report less than good health. In the fifth decile of income distribution this figure is 25% and at the top decile of income distribution (richest) the figure is 11%.

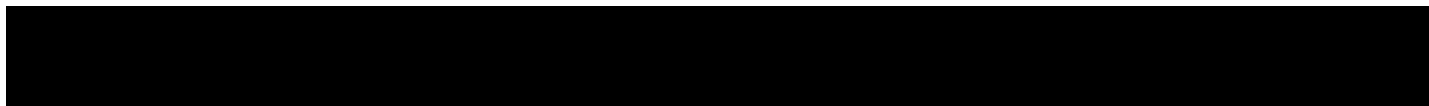
## Environmental impact

The East Midlands is already playing a key role in the development of low carbon technologies and is supporting the role of the Midlands as a leading location for Green Growth. According to the Midlands Engine, the Midlands contributes 1 in 4 energy and low carbon jobs across England (23% of GVA) and has seen CO2 emissions fall by 30% since 2005. However, there are opportunities to go further and the Freeport will act as a catalyst to complement and accelerate existing partner initiatives and to develop and deliver new innovative proposals.

The East Midlands Freeport is aiming to be a leading national hub for innovation in low carbon mobility and zero carbon technologies, attracting investment in batteries, electric vehicles and clean fuel production. There is a strong shared interest amongst local stakeholders in decarbonisation of energy and road, rail, and air transport, and in particular hydrogen production, distribution, and use, reflecting interest from the region's transport and logistics cluster. There is potential here for joint working with the Humber Freeport, particularly with regards to leveraging their Hydrogen production for various applications across the East Midlands region. The Freeport will contribute to the UK's Net Zero target and Ten-point Green Plan for Growth. Each of the sites is focused on decarbonising its own industry and attracting companies committed to decarbonisation to locate onsite:

- ▶ East Midlands Airport intends to explore the use of hydrogen power as part of its plan to become net zero carbon by no later than 2038. It will use the opportunity presented by the Freeport to consider Hydrogen-based solutions with partners such as cargo operators, airlines, handling agents, and occupiers. Applications could include renewable fuels for logistics vehicles or fixed electrical ground power for aircraft.
- ▶ SEGRO has launched an electric shuttle bus and bike hire scheme and is exploring implementation of solar PVs and trialing smart building technology at East Midlands Gateway, including data capture on energy use, CO2 levels, noise, light, temperature, and plant efficiency.
- ▶ A clear vision for Ratcliffe has circular economy, energy exchange, and decarbonisation at its centre. The site's infrastructure and connectivity will support transformational, critical, supply chain developments including a Gigafactory, and could host hydrogen production and distribution. Uniper UK's plans for a combined heat and power ready energy recovery facility ("East Midlands Energy Re-Generation (EMERGE) Centre") are well underway. With recycling and circular economy initiatives also being explored, and the potential to install CCS on EMERGE in the 2030s, the Ratcliffe site is well paced to become carbon negative in the 2030s, well ahead of HMG targets.
- ▶ Toyota's Environmental Challenge 2050 aims to achieve zero carbon emissions and a net positive environmental impact for new vehicles, plant, and life cycle, with a focus on developing electric and hydrogen-based solutions to transform mobility services. The proposed construction of a bridge over the A50 would support the creation of a Strategic Rail Freight Interchange and enable Toyota to move more vehicles and parts by rail, whilst the Freeport creates the opportunity to reshore production reducing carbon footprint of the supply chain.

▶



Between and beyond the sites, there is an ambition to shift the transport of freight from road to rail and to adopt alternative fuels such as Hydrogen. Maritime Transport are playing a key role in this transition as they look to phase out the use of diesel HGVs. The increased capacity of the SRFT would allow for a significant reduction in truck miles of more than 50 million per annum. The East Midlands is focused on pioneering low carbon mobility, equipping electric as well as Hydrogen cars and HGVs of the future with a cutting-edge vehicle charging network, while electrification of the Midland Main Line would enable cleaner and more efficient journeys.

## Equality impact

Inclusion, equality, and diversity are priorities for the Freeport with specific programmes and activities to mitigate barriers to economic participation by individuals with protected characteristics. A range of programmes exist to ensure the benefits of the Freeport deliver for them:

- ▶ Careers inspiration for all pupils with focus on deprived areas and learners in SEND settings.
- ▶ Digital and technical skills bootcamps to increase participation from females and those with health and disability barriers or autism.
- ▶ Bespoke employment support for people with multiple barriers to employment.
- ▶ Rural-specific employment support (e.g., Work:Live Leicestershire).
- ▶ Targeted interventions to tackle barriers into careers in digital roles, food and drink and construction sectors.
- ▶ The University of Nottingham's Women in Enterprise network.

The Freeport will work with LEPs, FE, HE and DWP to provide a tailored recruitment service to Freeport employers and pre-employment training and recruitment with a focus on local jobseekers. This will include piloting the forthcoming D2N2 ESF programme on supporting groups furthest from the labour market to have a particular place and sector focus on the Freeport. The vision will be to tackle the issues of rising unemployment and meet the HMG agenda of Building Back Better and improving social mobility, where South Derbyshire and North West Leicestershire perform particularly poorly.

As the inception and implementation of EMF will drive significant investment and infrastructure development in the region, a regional transformation is anticipated, and the consequent impact upon protected groups within the region must be assessed. EMF have c

a high-level impact assessment of the Freepport proposals upon the nine protected groups set out in the Equality Act 2010, supplied at Annex O.

### EMF Regeneration strategy

The overarching strategy for regeneration demonstrates that:

- ▶ there is need for regeneration within and around the freeport boundary - as measured by key economic outcomes for those populations - and there are specific barriers to bringing businesses and jobs into deprived areas;
- ▶ there is an opportunity to attract and grow a target market, with minimal displacement from the surrounding region, that can bring economic benefits to areas in need;
- ▶ the levers provided by the freeport can address the barriers, to promote the physical and economic regeneration of the area and will leverage complementary interventions that can support the social regeneration required; and
- ▶ there will be a demonstrable impact on regeneration outcomes over-and-above what would have been expected in the absence of the freeport.

The table below draws together evidence from across the Economic Case and summarises the regeneration needs of the area, how these issues could be remedied and the Freepport levers and interventions that can drive this:

	Physical	Economic	Social
Needs/issues	Underdeveloped land with some remediation required, strong transport connectivity but need for greater capacity, poor digital connectivity across the region.	Pockets of high unemployment with wages and productivity lower than other parts of the UK. Nationally significant industries that require investment to overcome capacity and supply challenges.	Pockets of deprivation with poor social mobility a challenge, issues around graduate retention. Risks that areas of unemployment and low pay lead to increased crime and poor health outcomes.
Remedies	Public and private sector funding to invest in infrastructure that ensures optimal access to the Freepport and positive spillover effects across the region.	Business incentives to promote inward investment and growth, reduced costs for key business processes, such as customs.	Employment programmes to support upskilling, reskilling and redeployment of the local workforce. Improved access to employment sites. Skills pathways to address any gaps arising from sectoral developments and transitions.
Freeport levers/interventions	Seed capital, Planning, Complementary local strategies and funding.	Tax sites, Customs sites, Innovation, Skills and workforce development, Complementary local strategies and funding.	Use of retained business rates, Social value measures, Skills and workforce development, Complementary local strategies and funding.
Outputs	Development-ready land, new infrastructure assets, land value uplift.	New employment opportunities, increased economic activity, wage uplift and increased trade throughput.	Increase in skills and qualifications, improved quality of life indicators.

### 2b. v. Risk Appraisal

This section sets out key risks associated with each option that could mitigate benefits being realised or lead to costs escalating. A list of relevant risks has been identified, and a score has been provided for each option against each risk, reflecting the likelihood and impact of them coming to pass under each scenario (ranging from very high – and a maximum score of 5 – to very low – and a score of 1). The overall risk score is calculated by multiplying the probability score by the impact score (giving a maximum score of 25, representing an extreme risk).

The table below sets out a range of risks that could bring down the BCR and considers the severity of each risk for each option relative to the Do Nothing scenario:

L = Likelihood I = Impact T = Total Risk Score (= L * I)	£25m Seed Funding Option			Minimum Viable Level of Seed Funding Option			Higher Level of Seed Funding Option		
	L	I	T	L	I	T	L	I	T
The level of displacement is greater than anticipated, reducing the additionality of benefits arising	1	3	3	1	3	3	1	3	3
Land value uplift not realised due to atypical costs and inefficient firms	2	4	8	2	4	8	2	4	8
Investment in transport infrastructure is insufficient to overcome decongestion	3	3	9	4	4	16	2	2	4

Escalation of costs due to early development of investment proposals or economic shocks	3	3	9	2	2	4	4	4	16
Shortfall in funding from the public and private sector leading to investment proposals being constrained	3	3	9	2	2	4	4	4	16

Risk scores below 5 have been highlighted in green, scores between 5 and 15 have been highlighted in amber and scores over 15 have been highlighted in red. The most significant risks relate to the minimum viable level of seed funding option, where investment in transport infrastructure could be insufficient to overcome traffic decongestion, and the higher level of seed funding option, where escalation of costs or a shortfall in funding would have more of an impact.

Risks are captured in the Risk and Issues Register, the latest version of which has been supplied at Annex D, and risks are continually monitored and mitigated through the risk management strategy detailed in Section 5f. This includes the preparation of a Risk Report which is reviewed as part of each Board meeting held monthly throughout the Delivery Phase. Financial risks are summarised in Section 3c.

*Commentary on Planning Risks Associated with Each Option*

Within EMF the level of Seed Funding does not act as a key determinant in the success of planning activities on the sites. The objective of Seed capital funding is to deliver enabling infrastructure to connect the local workforce in cities, towns and local communities to EMF employment opportunities rather than reducing risk of planning slippage. The sites are at varying levels of planning status, as summarised below, however there is significant buffer built into planning timetables.

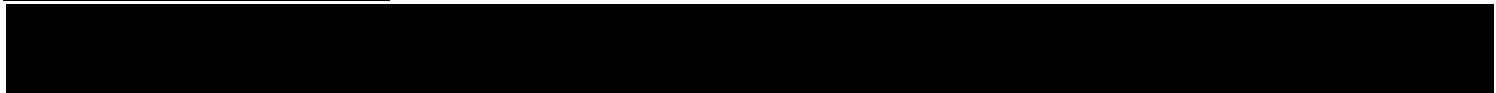
**EMAGIC**

*East Midlands Airport*

It is anticipated that there will be several applications for planning permission for aviation infrastructure (apron and taxiways), buildings, utilities and enabling works. These consents will be secured using East Midlands Airport’s permitted development powers under Part 8 Class F (Schedule 2) of the Town and Country Planning (General Permitted Development) Order 2015, or through applications for planning permission to the Local Planning Authority (North West Leicestershire District Council).

*SEGRO Logistics Park East Midlands Gateway*

Major planning hurdles are complete for the SLPEMG site; further planning submissions will relate to the latter plots that are due to come online across 2023, and any exceptional requests dependent on the nature of the businesses that take-up the remaining tenancies on the site.



**EMIP**

Site planning for the infrastructure on the EMIP site is expected to be conducted through a DCO, targeted to conclude in late 2023 following a period of stakeholder consultation. Including development activities on the site, this timetable provides an extensive lead in period, against the operational timetable of the Freeport.

**Ratcliffe-on-Soar**

Initial consultation on the LDO took place in December 2021 and January 2022. Formal consultation on the submitted LDO is expected to take place in June and July 2022. This will inform the LDO targeted for completion by the 31<sup>st</sup> December 2022 and build activities due to start in early January 2023, providing sufficient planning buffer to absorb any additional planning requirements or slippage to development activities to achieve the operational timetable for the site.

**2c. Preferred Option**

This section recommends a preferred option on the basis of the VfM, qualitative, wider impact, and risk appraisals.

A Value for Money (VfM) category has been produced for each shortlisted option. The VfM category is an assessment of the overall VfM of a policy based on monetised and non-monetised impacts. As well as providing a more holistic and comprehensive assessment of VfM rather than a narrow BCR approach, VfM categories help ensure greater consistency in the presentation of appraisal information and help avoid the temptation to produce inflated and non-robust BCRs.

To produce a VfM category, an initial VfM category should be derived based on the BCR. The value for money categories based on the size of the BCR are given below:

BCR < 1 = **Poor value for money**

1 ≤ BCR < 2 = **Acceptable value for money**

BCR ≥ 2 =

All of the shortlisted options have a BCR just below 2 but it is anticipated that with the inclusion of qualitative and wider impacts, and taking into account the risk appraisal, that all of the options would represent high value for money.

However, in terms of identifying a preferred option, the recommendation is that the **£25m Seed Funding Option** is taken forward. This is because the Minimum Viable Level of Seed Funding Option would not provide strong levels of integration with the wider region nor sufficient training opportunities, scoring a low impact for both of these potential benefits. It is vital that the Freeport acts as a catalyst for upskilling and regeneration across the wider region in line with HMG’s Freeport objectives and this option does not include investment of the scale required to provide confidence that transformative regeneration across the region would be enabled. Equally the Higher Level of Seed Funding Option presents significant risks in terms of escalation of costs or a shortfall in funding.

The Seed Capital Prioritisation Framework set out in Annex AB demonstrates that a robust process has been implemented to identify appropriate allocations for the £25m Seed Funding Option such that these projects help to achieve the EMF objectives set out in government guidance.

A summary of the different elements of the appraisal of options relative to the Do Nothing scenario and the recommendation of the preferred option is provided in the table below.

	<b>£25m Seed Funding Option</b>	<b>Minimum Viable Level of Seed Funding Option</b>	<b>Higher Level of Seed Funding Option</b>
Benefit Cost Ratio	BCR of 1.9	BCR of 1.9	BCR of 1.9
Qualitative and Wider Impacts	Medium impact	Low/Medium impact	Medium/High impact
Risk Appraisal	Medium risk	Low risk	High risk
Value for Money	High	High	High
Recommendation	Preferred Option	Not taken forward	Not taken forward



3

# Financial Case

### 3a. Financial Resources and Budgets

The financial case details how the Freeport will be financed under the preferred option in a manner that is sustainable and affordable. This includes consideration towards the capital costs associated with necessary remediation, development and infrastructure requirements, operating costs associated with the delivery of the Freeport and all associated funding.

#### 3a. i. Financial Profile

Set out in detail below is a profile of all costs and revenue associated with delivering the Freeport up to 2047/48 and how these are funded. The profile demonstrates how the Freeport becomes fully self-funded from 2025/26 onward:

Description	Funding Source	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/31 £'000	2031/36 £'000	2036/41 £'000	2041/46 £'000	2046/48 £'000	Total £'000
<b>Seed Capital</b>											
SCP1	DLUHC	340	170	2,090	-	-	-	-	-	-	2,600
SCP2		-	310	1,170	-	-	-	-	-	-	1,480
SCP3		2,700	8,100	1,620	-	-	-	-	-	-	12,420
SCP4		250	2,350	1,400	-	-	-	-	-	-	4,000
SCP5		1,100	1,400	2,000	-	-	-	-	-	-	4,500
<b>Total</b>		<b>4,390</b>	<b>12,330</b>	<b>8,280</b>	-	-	-	-	-	-	<b>25,000</b>
<b>Retained Business Rates Fund</b>											
OB1	Retained Business Rates	-	-	-	-	48,628	53,982	21,880	25,769	5,500	155,760
OB2		-	-	-	-	17,876	93,463	87,522	123,898	69,528	392,287
OB3		-	-	-	-	7,641	28,594	109,402	108,025	36,009	289,670
OB4		-	-	583	2,274	2,143	-	-	-	-	5,000
RBR Enablement		-	-	-	978	8,802	-	-	-	-	9,780
<b>Total</b>		-	-	<b>583</b>	<b>3,252</b>	<b>85,091</b>	<b>176,040</b>	<b>218,804</b>	<b>257,692</b>	<b>111,036</b>	<b>852,496</b>
<b>Complementary Capital Investments - Private Sector</b>											
Site Remediation	Private Sector Funding	-	-	2,000	2,000	36,000	-	-	-	-	40,000
Site Development		-	387,250	789,250	1,151,250	1,242,250	-	-	-	-	3,570,000
Rail-related Infrastructure		9,700	19,700	41,700	19,700	10,000	-	-	-	-	100,800
Connecting Road Infrastructure		-	-	15,000	-	3,000	-	-	-	-	18,000
Hydrogen Infrastructure		-	3,000	-	30,000	-	-	-	-	-	33,000
Airport Infrastructure		-	-	13,000	13,000	13,000	-	-	-	-	39,000
<b>Total</b>		<b>9,700</b>	<b>409,950</b>	<b>860,950</b>	<b>1,215,950</b>	<b>1,304,250</b>	-	-	-	-	<b>3,800,800</b>
<b>Total Capital Costs</b>		<b>14,090</b>	<b>422,280</b>	<b>869,813</b>	<b>1,219,201</b>	<b>1,389,340</b>	<b>176,040</b>	<b>218,804</b>	<b>257,692</b>	<b>111,036</b>	<b>4,678,296</b>
<b>Other Revenue Expenditure</b>											
OPEX Costs	Revenue Funding	2,644	673	704	737	4,236	5,338	6,743	8,537	4,024	33,636
<b>Total</b>		<b>2,644</b>	<b>673</b>	<b>704</b>	<b>737</b>	<b>4,236</b>	<b>5,338</b>	<b>6,743</b>	<b>8,537</b>	<b>4,024</b>	<b>33,636</b>
<b>Total Revenue Costs</b>		<b>2,644</b>	<b>673</b>	<b>704</b>	<b>737</b>	<b>4,236</b>	<b>5,338</b>	<b>6,743</b>	<b>8,537</b>	<b>4,024</b>	<b>33,636</b>
<b>Grand Total - Costs</b>		<b>16,734</b>	<b>422,953</b>	<b>870,517</b>	<b>1,219,940</b>	<b>1,393,577</b>	<b>181,377</b>	<b>225,547</b>	<b>266,229</b>	<b>115,060</b>	<b>4,711,932</b>
Private sector funding	Funding	9,700	409,950	860,950	1,215,950	1,304,250	-	-	-	-	3,800,800
Seed capital funding		4,390	12,330	8,280	-	-	-	-	-	-	25,000
Business Rates Retention		877	1,243	1,724	3,749	89,327	181,377	225,547	266,229	115,060	885,132

Lead Authority Funding		1,466	(799)	(667)	-	-	-	-	-	-	-
Revenue funding		300	230	230	240	-	-	-	-	-	1,000
<b>Grand Total - Funding</b>		<b>16,734</b>	<b>422,953</b>	<b>870,517</b>	<b>1,219,940</b>	<b>1,393,577</b>	<b>181,377</b>	<b>225,547</b>	<b>266,229</b>	<b>115,060</b>	<b>4,711,932</b>

## Capital expenditure

Significant committed private sector led investment is leveraged alongside public sector spend to deliver the sites, multi-modal transport, connectivity, skills and energy transition infrastructure that are critical to attracting new investors to the region. Capital costs to deliver the EMF are set out below:

- ▶ Site remediation costs totaling £40m across periods 2024/25 to 2026/27. This balance includes private sector led investment of £2m in 2024/25 and £2m in 2025/26 with a further £36m across 2026/31 for remedial and preparatory work at Ratcliffe, required to develop sites.
- ▶ Over £3.5bn of site development costs reflect the extensive private sector led construction which will develop the Ratcliffe and EMAGIC Freepport sites to attract businesses from EMF target sectors ranging from Electrical Vertical Take-off and Landing Aircraft through to Advanced Supply Chain Manufacturers. At the Ratcliffe site investment of £2.83bn is planned on land remediation, development and site infrastructure, with over £325m assigned to the EMERGE facility (detailed in Section 1d. ii.). At EMAGIC a total of £785m is leveraged: this investment will unleash the potential of under-utilised land and vacant premises on the North of the site to develop 4.3million of transformed employment space for businesses including those in specialist sectors such as aviation. £400m of investment in the South of the site will unlock land, infrastructure and buildings that on the current masterplan will offer a further 3 million sq. ft of employment floorspace for EMF target sectors.
- ▶ Over £100m of investment in rail related infrastructure will improve EMIP and EMAGIC site access and provide the rail capacity to meet the increased trade throughput generated by the EMF initiative. Multi-modal transport will be crucial in attracting private sector investment to unlock industrial floorspace, create and agglomerate new industrial businesses, and encourage further investments in infrastructure. Rail investment includes an extensive transformation of the Strategic Rail Freight Terminal at EMAGIC, with this providing vital infrastructure and enhanced efficiency that will treble rail capacity at the site and strengthen EMF's rail connectivity to the wider Freepport network.
- ▶ £18m of private sector led investment on on-site and connecting road infrastructure includes site access and intra-site connectivity works has already been secured toward the ongoing costs of transport mitigations resulting from the Freepport. Transport modelling performed by AECOM that underpins the FBC identified eight hotspots across the road network (further information captured within Annex R) and estimated that a package of mitigations could cost up to £85m required. As Transport Modelling is furthered, additional funding from the Public and Private Sector purse will be leveraged to ensure mitigations are funded and the vital connectivity the EMF will need to be a success is in place.
- ▶ £33m of costs relate to on-site hydrogen infrastructure required to support clean energy transition plans, building on the existing hydrogen infrastructure capabilities in the East Midlands and delivering Uniper UK's ambition to develop an industrial centre housing advanced manufacturing including hydrogen infrastructure. Costs cover construction of a 2MW electrolyser at Ratcliffe in 2023/24 and subject to market demand a 20MW electrolyser in 2025/26.
- ▶ £39m of airport infrastructure costs relate to additional airport stands and taxiways to be delivered at EM Airport, providing additional freight capacity and enhancing the effectiveness of freight transfer at the Airport to support trade at EMF and beyond.

## Operating expenditure

See Section 3a. v.

### 3a. ii. How seed capital funding will be spent

Successful delivery of the EMF will require seed capital funding from HMG ranging from a minimum of £12.58m to a maximum of £35.96m. Section 2b. ii. of the economic case considers a shortlist of options which reflect the variation in the deployment of seed capital funding and considers the development impacts for each of the proposed tax sites due to the tax levers associated with Freepport designation. For each short listed option the economic case sets out the expected outcomes with a preferred option on identified on the basis of the VFM, qualitative, wider impact, and risk appraisals.

As set out in the economic case, the preferred option would be to secure £25m of seed funding which will be used to support the pace and scale of the EMF development delivering enabling infrastructure to connect the local workforce in cities, towns and local communities to EMF employment opportunities. Seed capital projects are set out below:

Cost Description	Funding Source	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
SCP1 – Connecting Road Infrastructure on the EMIP Site	DLUHC	340	170	2,090	<b>2,600</b>
SCP2 - Cycle Routes	DLUHC	-	310	1,170	<b>1,480</b>
SCP3 - Connecting road infrastructure on the Ratcliffe site	DLUHC	2,700	8,100	1,620	<b>12,420</b>
SCP4 - South Site Preparation	DLUHC	250	2,350	1,400	<b>4,000</b>
SCP5 - Hydrogen Skills Academy (HSA)	DLUHC	1,100	1,400	2,000	<b>4,500</b>
<b>Total</b>		<b>4,390</b>	<b>12,330</b>	<b>8,280</b>	<b>25,000</b>

Seed capital will facilitate inward investment in the area, consequently driving job growth and enhancing the status of the Freeport as a hub for Global Trade, and for Net Zero transition in target sectors. The seed capital will achieve this by enhancing the Freeport's transportation infrastructure and local road connectivity as well as the skills provision to connect the local workforce to employment opportunities. To drive the pace and scale of the EMF site development, seed funding will be used as set out below:

- ▶ £4.1m for delivery of connecting road infrastructure connecting TMUK with the EMIP site supporting the acceleration of transformational regeneration and linking communities to employment opportunities across the region. This will include provision of active travel options, including cycle routes and improved pedestrian accessibility to sites providing affordable travel options for communities and support net zero transport objectives.
- ▶ £12.4m of Investment in road-related transport infrastructure will improve intra-site connectivity and site access which will be crucial in attracting private sector investment to unlock industrial floorspace, create and agglomerate new industrial businesses, and encourage further investments in infrastructure, driving the region's attractiveness to new investors in advanced manufacturing and high value logistics.
- ▶ £4m of Preliminary infrastructure requirements will support the acceleration of site development at the South of the Ratcliffe-on-Soar Tax site.
- ▶ £4.5m Investment in the Hydrogen Skills Academy, will help establish the training centre and associated training packages. The HSA will be the UK's first practical, industry-based training centre associated with the production, handling, storage and use of hydrogen, with the funding a catalyst for developing a network of training centres working collaboratively across the UK. After a start-up period the training packages would be self-funding, and further consideration is being applied to how costs could be underwritten by contributing institutions to mitigate funding risk. Locating this HSA within the Freeport region will bring benefits to the tax and customs sites by improving access to higher-skilled employees for businesses located in the Freeport, and stimulate wider benefits across the wider region by upskilling the local workforce, boosting productivity and innovation, and improving the overall skill-competitiveness of the local population. Creating a skilled and qualified workforce is critical to enabling the region's transition to hydrogen technologies and low carbon fuels and the Hydrogen Skills Academy would position the East Midlands at the forefront of the UK's net zero transition.

All Seed Capital projects are subject to viability and subsidy assessments conducted by Seed Capital Working Groups and overseen by the Section 151 subgroup as per the project assessment criteria in Section 1d, and Value for Money protections outlined within the Commercial Case, Section 4d. Each Seed Capital project included within the FBC has been taken through a separate assessment and prioritisation process; the underlying principles and results of this assessment are captured within Annex AB. The location of each project has also been included within Annex E.

### 3a. iii. Public and private match funding by source

Description	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/31 £'000	2031/36 £'000	2036/41 £'000	2041/46 £'000	2046/48 £'000	Total £'000
Private sector funding	9,700	409,950	860,950	1,215,950	1,304,250	-	-	-	-	<b>3,800,800</b>
Seed capital funding	4,390	12,330	8,280	-	-	-	-	-	-	<b>25,000</b>
Business Rates Retention	877	1,243	1,724	3,749	89,327	181,377	225,547	266,229	115,060	<b>885,132</b>
Lead Authority Funding	1,466	(799)	(667)	-	-	-	-	-	-	-
DLUHC Revenue funding	300	230	230	240	-	-	-	-	-	<b>1,000</b>
<b>Total</b>	<b>16,734</b>	<b>422,953</b>	<b>870,517</b>	<b>1,219,939</b>	<b>1,393,577</b>	<b>181,377</b>	<b>225,547</b>	<b>266,229</b>	<b>115,060</b>	<b>4,711,932</b>

#### Private sector funding

This underlying profile of investment is summarised in Section 3a. i. above but in summary, includes the following expenditure:

- ▶ Over £3.6bn of investment in freeport site remediation and development, representing a material generational investment driven by Freeport designation status that creates the vital infrastructure needed to capitalise on the significant potential for economic growth in target sectors.
- ▶ £39m investment in East Midlands Airport’s infrastructure, adding additional aircraft stands and taxiways.
- ▶ £18m investment in road infrastructure, including improvements to the A38/A50 Junction and slip road.
- ▶ Over £101m of investment in rail related infrastructure across both the EMIP and EMAGIC sites. £22m of this is near the EMIP site, including railway sidings with a connection to the adjacent railway line and an intermodal terminal incorporating mobile container handling equipment and external container storage. The facility will immediately reduce road miles by eliminating the need for car transporters to shuttle inbound and outbound completed vehicles to either ports or other rail terminals.

### Public sector funding

£25m of Seed Capital Funding, as detailed in Section 3a. ii.

£885m of Retained Business Rates generated by the commercial activity across the Tax Sites.

£1m of DLUHC Capacity Funding across the lifetime of the EMF project to 2025/26 before the project becomes self-financing.

A maximum of £1.5m cashflow provided by the Lead Authority across the 2022/23 to 2025/26 period where EMF costs exceed revenue, that is repaid through Retained Business Rates.

### Business rate growth retention

The EMF is estimated to generate £885m in additional business rates over 25 years (after deductions by the Local Authorities in recognition of the 'no detriment' agreement) to be used by the Freeport and DevCo to deliver regeneration and public infrastructure. These funds will be reinvested alongside private capital to accelerate and support regional development by increasing the funds available to rate collecting and precepting authorities and managing authorities to reinvest in their communities.

Retained Business Rates spending will be centered around four key core objectives which include multiple delivery phase workstreams in order to ensure alignment with the EMF value propositions, these are detailed in Section 1d.

A further Retained Business Rates commitment of £0.98m in 2025/26 and £8.8m in 2026/27 has been included in relation to the Seed Capital projects to ensure projects are completed in line with projected profiles.



### Revenue budget

See Section 3a. vi.

### 3a. iv. All complementary investments

As set out in the strategic case Section 1d. ii., the Freeport is strategically placed to support and derive benefit from a number of planned interventions in the region. These projects will enhance the Freeport’s connectivity, accessibility and profile attracting investment and creating growth and innovation opportunities.

### 3a. v. Operating Costs associated with delivering the Freeport

Set out below are the annual operating costs for 25 years up to 2047/48 for EMF delivery together with supporting assumptions:

Description	2022/23 (12months) £'000	2023/28 (60months) £'000	2028/33 (60 months) £'000	2033/38 (60 months) £'000	2038/43 (60 months) £'000	2043/48 (60 months) £'000
Set up costs	2,000	-	-	-	-	-
<b>Operating costs:</b>						
Executive Leadership	160.5	931.2	1,188.5	1,516.8	1,935.9	2,470.8
Marketing and Investment	69.5	403.2	514.6	656.8	838.3	1,069.9
Operations	69.5	403.2	514.6	656.8	838.3	1,069.9
Resources & Growth	179.5	1,041.4	1,329.2	1,696.4	2,165.1	2,763.3
Executive Support	39.5	229.2	292.5	373.3	476.4	608.1
Evaluation Partner	50	290.1	370.2	472.5	603.1	769.7
EMF Board Chair	25	145	185.1	236.3	301.5	384.9
Professional Fees such as Legal	25	125	125	125	125	125
Accountable Body Services	10	50	50	50	50	50

IT support and licences	15	75	75	75	75	75
<b>Total</b>	<b>2,643.5</b>	<b>3,693.4</b>	<b>4,644.8</b>	<b>5,859</b>	<b>7,408.7</b>	<b>9,386.5</b>

The EMF operating model (as set out in the Management Case, Section 5) required to deliver the activities of the Freeport, spans four core functions that are fundamental to implementation of the EMF proposal; Executive Leadership, Marketing & Investment, Operations and Resources & Growth. This core team will consist of suitably qualified personnel, recruited during the transition period and employed directly by the Incorporated EMFCo. The Executive Delivery Team will also be supplemented with resourced support from EMF Partners, drawing on existing capabilities and capacity from relevant organisational departments within the coalition. The increase in costings for salaried positions, as seen above, is due to inflation of 5% per annum. Further details of the EMF operating model cost assumptions set out below:

**Executive Leadership** - one FTE Freeport Director (salary and on costs), responsible for overall strategic leadership of the Executive Delivery Team as well as discharging the strategic direction given by the Board and leading EMF's day-to-day operational delivery.

**Marketing & Investment** – supported by existing local authority marketing functions, one FTE Marketing Manager (salary and on-costs) will deliver EMF's communications and marketing strategy, manage enquiries, develop marketing collateral and set up and facilitate communication channels as required.

**Operations** – one FTE Risk and Compliance Manager (salary and on costs), to enforce and maintain EMF's risk management protocol, manage EMF's Risk and Issues register, prepare risk reports and monitor EMF's fulfilment of Freeport obligations, policy and security controls compliance.

**Resources & Growth** – one FTE Innovation, Skills and Employment Director and one FTE Finance Manager (salaries and on-costs). Leveraging existing expertise and relationships, the Innovation, Skills and Employment Director role is key to driving skills and innovation growth across the region, engaging with potential and secured inward investors, site occupiers and innovation stakeholders, supporting new EMF-based employers with integration into the Freeport and liaising with higher and further education and training providers. The EMF Finance Manager will manage EMF's budget and monitor centralised EMF capital and revenue income and spend, prepare budget reports and oversee the flow of investment of retained rates in the Freeport

Freeport Delivery will be further supported through:

**Executive Support** – one FTE Executive Support Officer (salary and on-costs) to provide administrative and secretarial support across all Executive functions.

**Evaluation Partner**– one FTE Evaluation Partner will be hosted by the Lead Authority as a contractor rather than a full-time employee to promote independence in monitoring, evaluation and reporting to DLUHC. The Evaluation Partner will lead on progress and performance-related data collection, monitoring, reporting and evaluation, communicating updates across the cohort as well as reporting externally to DLUHC and other authoritative bodies such as Border Force and the NCA as required.

**EMF Board Chair** – one FTE EMF Board Chair (salary) to manage and oversee Board Meetings and key EMF strategic decisions.

**Professional Fees (such as Legal)** - Supported by existing local authority functions and on-costs relating to external legal advice taken by EMF where applicable.

**Accountable Body Services** – fees relating to the Services Agreement between the Lead Accountable Body and the EMF, including costs such as HR and PAYE.

**IT support, licenses etc** – on costs and licensing fees associated with additional IT support across all functions.

As set out in Section 5b., each of the Customs Site Operator organisations expect to leverage their existing workforce to conduct the necessary responsibilities defined by DLUHC in relation to customs site operation and compliance, although this is subject to a comprehensive assessment of their obligations. It is also understood the individual EMF Tax Sites will be responsible for costs associated with security and policing as well as expenditure towards Net Zero ambitions.

### Cost Estimation methodology

Proposals and costings put forward for the Seed Capital projects have been assessed for deliverability, with prioritised projects transitioned into a full viability and subsidy control assessment phase following approval of the FBC. All costing and phasing templates evaluated contingency and optimism bias, factoring these into costs estimates and ensuring value for money considerations were applied.

Through an iterative process each of the seed capital projects has been assessed to evaluate how projects would react to delays and specifically, how cost overruns if experienced could be funded.

A summary of each cost estimation factor for each qualifying Seed Capital project has been included in Annex Y – Project Profiles and Cost Estimation Methodology.

### 3a. vi. Revenue streams

Operating expenditure will be funded by retained business rates and capacity funded from DLUHC for 2022/23 documented through the MoU to be agreed with HMG, with the Lead Authority also cashflowing EMF for particular years as identified in the Financial Case, with repayment made from a first call on retained business rates, as the body generates additional funds in the following years. Additional capacity funding may be made available in subsequent years and this is considered in the following section.

Revenue streams that will be utilised to fund the operation of the Freeport to 2025/26 are set out below:

Description	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Retained Business Rates (via Lead Authority)	877.5	443.2	474.3	497.1

DLUHC capacity funding	300	230	230	240
Lead Authority Funding	1,466	-	-	-
<b>Total operating costs</b>	<b>2,643.5</b>	<b>673.2</b>	<b>704.3</b>	<b>737.1</b>

Additional match funding will be provided by EMF partners which is non-financial in nature, this will include for example marketing and communications support from Local Authorities.

### Business rates retained to fund operational expenditure

Location	LA Retained (£m)	Freeport Retained (£m)	Total Business Rates Forecast (£m)	No Detriment (%)
Rushcliffe	23	217	239	9.6%
South Derbyshire	22	267	289	7.6%
NW Leicestershire	19	402	421	4.5%
<b>Total operating costs</b>	<b>63</b>	<b>885</b>	<b>948</b>	<b>6.6%</b>

The table above shows the outcome of the modelling work based on the assumptions seen in Annex M with regards to baselines, baseline resets and no detriment. Overall, it shows that £0.95bn of business rates would be retained in the EMF area over the 25-year period, £63m (or about 7%) of which would be retained by the local authorities leaving £0.89bn for EMF investment.

The billing authorities within which EMF's proposed tax sites are located have committed to utilising the retained rates derived from the activities within the boundary of the tax site to promote and support the East Midlands Freeport's objectives. Letters from the billing authorities on the use of retained business rates are included at Annex F.

This includes use of retained rates to fund EMF operational expenditure, including the funding of necessary revenue expenditure incurred through the employment of the East Midlands Freeport's executive delivery team, evaluation partner and other items as deemed necessary during the course of the delivery of the Freeport.

During the set-up phase, in advance of receipt of retained rates the Lead Authority will underwrite operating expenditure requirements from a cash perspective. Upon receipt of retained business rates, the Lead Authority will, each time, retain the right to claim an appropriate first cut as full reimbursement for the operating costs that they are incurring in relation to EMF.

Further details on the governance required to manage retained rates including a mechanism to seek to manage EMF budgets, can be seen in the strategic case and Section 1d above. The EMF and the DevCo will work collaboratively to ensure that retained business rates are used in support of agreed priorities for development.

### HMG capacity funding

Capacity funding of £300k is expected to be received from DLUHC for 2022/23, to fund EMF set up costs and further funding is anticipated for the periods up to 2025/26.

## 3b. Further revenue funding

To ensure self-sufficiency of the Freeport, further capacity funding may be available from DLUHC for the period up to 2025/26. The annual profile of revenue funding assuming further capacity funding is set out below:

Description	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
DLUHC capacity funding	300	230	230	240
Match funding	2,343.5	443.2	474.3	497.1
<b>Total revenue funding</b>	<b>2,643.5</b>	<b>673.2</b>	<b>704.3</b>	<b>737.1</b>

Match funding includes business rates retention and non-financial contributions from EMF partners.

Additional capacity funding would enable expansion of the Executive Delivery Team. Scaling up Marketing and Communications resources to focus on attracting prospective investors and potential site occupiers would accelerate delivery of forecast business rates growth to support realisation of expected jobs growth and productivity outcomes.

## 3c. Financial risk

Risks are captured in the Risk and Issues Register, the latest version of which has been supplied at Annex D, and risks are continually monitored and mitigated through the risk management strategy detailed in Section 5f. This includes the preparation of a Risk Report which is reviewed as part of each Board meeting held monthly throughout the Delivery Phase.

Financial risks currently logged in the Risk and Issues Register (identifiable by their reference number), as well as the corresponding mitigations and post-mitigation risk scores, which cover likelihood (L), impact (I) and severity (S) have been included below.

Ref	Phase	Risk Description	Potential financial consequence	Proposed mitigation	Expected Post-Mitigation Score		
					L	I	S (= L * I)
<b>Freepport Income</b>							
10	Set Up	There is a risk that the traffic modelling work undertaken through individual sites planning applications has unintended consequences or knock-on impacts for the wider Freepport.	In the event highway schemes are not progressed through statutory planning processes this could disincentivise investment reliant on effective connectivity. Secondary impacts could be experienced on trade throughput, employment and RBR income.	<b>Treat</b> – EMF Freepport Sites and Infrastructure group to monitor planning applications and facilitate regional coordination and consultation between relevant stakeholders on key hotspots.	3	4	12
9	Delivery	There is a risk that Business Rates are not generated at either the pace, or quantum, within the RBR forecast model.	Underachieved RBR forecasts would result in the Freepport not having the capital needed to invest in achieving its objectives and the broader economic, social and environmental objectives of the Freepport agenda.	<b>Treat</b> - Board oversight and monitoring of the Development plan across Tax Sites will reinforce the go-live timetable for sites and govern any potential slippage. <b>Treat</b> – Clear landowner sovereignty for attracting businesses that operate within EMF targeted sectors.	3	5	15
12	Delivery	There is a risk that private sector investment is not generated at either the pace, or quantum predicted in the model.	Failure to raise the catalytic infrastructure and revenue funding beyond the Seed Capital phase to deliver Freepport would result in the full potential and benefits case of EMF being underachieved.	<b>Treat</b> - Develop an active accountable body role, design a compelling DIT-facilitated brand, marketing and investment strategy and ensure early identification of funding requirements. <b>Treat</b> - The launch of the Investment and Marketing Subcommittee, with accountability for driving inward investment and ensuring the timetable for attracting businesses to the site is achieved.	2	4	8
14	Delivery	There is a risk seed funding not made available to EMF.	Seed Capital projects would not be completed, putting at risk the completion of vital infrastructure needed in the EMF and wider region.	<b>Terminate</b> – Continued close engagement with Government on progress of FBC and promoting with clarity the rationale for Seed Funding within the Business Case.	1	4	4
<b>Freepport Expenditure</b>							
13	Set Up	There is a risk during the setup phase that operational or Seed Capital costs exceed planned thresholds.	Any overspend by the Freepport could lead to a requirement for further cashflow.	<b>Treat</b> – The Risk Reserve forms a key contingency during the setup phase to absorb costs. <b>Treat</b> – Seed Capital risks would be mitigated through a rigorous assessment of projects, and cashlimiting funding awards, with unavoidable extra costs being the subject of future funding bids. <b>Treat</b> – Develop robust planning, budgeting, reporting and purchase to pay processes for the new EMFCo.	2	4	8
29	Delivery	There is a risk that a breach occurs of the conditions of a customs site operator's authorisation.	Customs site operator are jointly and severally liable for customs debt arising from relevant non-compliance, so any breach could have significant financial	<b>Treat</b> – Developing strong contractual and monitoring processes, and closer collaboration with HMRC on recommended security and breach protocols.	1	2	2

			ramifications including fines and recompense.				
11	Delivery	There is a risk that inflation, supply chain complexities or global demand patterns increase the costs of labour or materials.	Price increases could make costs of developing the freeport and associated infrastructure unfeasible or require additional funding to finalise.	<p><b>Transfer</b> – Where possible exposure to price changes will be transferred to supplier contracts and built into effective control.</p> <p><b>Treat</b> - Utilise level of contingency and optimism bias within project profiles to allow for cost creep, and monitor cost changes closely.</p>	4	2	6
15	Delivery	There is a risk that delays approval process for proposed infrastructure given the critical interdependencies of Government departments such as DfT and BEIS.	Slow progress in Freeport delivery that delays the programme beyond DLUHC prescribed timescales. Slippage could impact projects ability to recoup Seed Capital or access any time limited investment.	<p><b>Treat</b> – Develop robust programme management processes for Site Delivery and key infrastructure projects that facilitate identification, escalation and remediation of slippage and integrate these into the appropriate EMF governance structure.</p> <p><b>Treat</b> – At project design phase ensure reasonable contingency measures are employed.</p>	2	3	6
<b>NOTE: Likelihood (L) and Impact (I) are scored out of 5.</b>							



4

# Commercial Case

## 4a. Tax Site Management and Delivery

The three tax sites that will comprise EMF have clear and focused strategies for their activation and delivery, ensuring that they create an effective foundation for the delivery of the Freeport’s strategic ambition. Each site’s plans are distinct but act in synergy with the Freeport’s broader value proposition and strategic enablement activities, as set out in FBC Section 1f. **Section 1f provides details of each site’s vision and strategy. Meanwhile, site target sectors and anticipated outcomes are set out in Annex X.**

The Tax Site Delivery and Management strategy is comprised of four core time horizons; Activation of the Sites, Delivery Coordination, Tax Site Enablement and Tax Site Benefit Realisation.

Operational throughout, and at the core of the relationship between the individual Tax Sites and the EMF Board, is the Tax Site Delivery Framework. This provides a clear management and enforcement structure for how the setup and delivery phases will be implemented in line with the objectives of the EMF, and is particularly focused upon ensuring Benefits Realisation. This is made up of three components;

1. **Tax Site Operator Code of Conduct** - A commitment from EMF’s tax site operators to adhere to an EMF Code of Conduct, renewed on an annual basis and overseen by the EMF Board.
2. **Tax Site Investment Gateway Review** - A gateway process to determine to what degree investment activity is aligned to delivering the objectives of EMF.
3. **Tax Site Occupier Code of Conduct** - A commitment from an individual EMF tax site occupier to adhere to an EMF Code of Conduct, renewed on an annual basis and overseen by the tax site operators.

The framework, for which further detail is provided within Annex Z, is governed by EMF’s Board and firmly embeds the EMF objectives and value proposition into activities across Operators within the Framework, alongside defined ramifications for non-compliance with the Framework across the four phases, for which further detail follows below:



**Activation** (Section 4a. i.) – ensuring the necessary activation activities are undertaken to bring the sites online, including remediation, planning and development, underpinned by effective project management.

**Coordination** (Section 4a. ii.) – ensuring synergy with broader East Midlands Freeport activities, as well as with other regional strategic initiatives through an effective interface with the Freeport’s governance structure.

**Enablement** (Section 4a. iii.) – enabling activities that act as tools to deliver the intended benefits of the sites as a whole, including targeted and strategic investment attraction activities, investor support and marketing and tax lever application best practice approaches.

**Benefits Realisation** (Section 4a iv.) – establishing appropriate mechanisms to realise broader freeport benefits upon successful enablement of tax levers. This aims to ensure benefits that accrue to tax site landowners and respective businesses effectively contribute to the delivery of the broader Freeport objectives.

### 4a. i. Activation

Site-specific activation plans across each of EMF’s proposed tax sites are being implemented in full collaboration between landowners, planning authorities, transport authorities, utilities providers and the wider EMF Board. These aim to transition all sites to a position where their investment capacity can be fully realised, with many of the sites already well underway on this journey.

Ratcliffe-on-Soar
<i>The Ratcliffe-on-Soar tax site’s prominent position next to the A453, a mile from the M1, adjacent to East Midlands Parkway Station, provides easy access to passenger and freight rail services. The on-site coal power plant will close in September 2024, leaving the site primed for regeneration. Plots within the site are adjacent to existing infrastructure are available for redevelopment now.</i>
<ul style="list-style-type: none"> <li>▶ <b>Size:</b> 200 hectares<sup>36</sup></li> <li>▶ <b>Land ownership:</b> The freehold of the land is owned by Uniper UK</li> <li>▶ <b>Relevant Planning Authority:</b> Rushcliffe Borough Council (RBC)</li> <li>▶ <b>Planning status:</b> Power station site sits within green belt area but benefits from Centre of Excellence status within Rushcliffe local plan. Rushcliffe Borough Council, supported by Uniper UK, is preparing an LDO to facilitate Freeport developments across the whole</li> </ul>

<sup>36</sup> 200.56 ha

site. Initial consultation on the LDO took place in December 2021 and January 2022. Formal consultation on the submitted LDO is expected to take place in June and July 2022 with the LDO targeted for completion by the 31st December 2022. EMERGE energy centre development was consented in 2021 following a direct application, demonstrating the case in planning terms for redevelopment on the site, and further direct planning applications may be used to expedite other specific developments ahead of the LDO.

- ▶ **Target market alignment:** Low Carbon and Renewable Energy Production and Transmission; Research and Development
- ▶ **Timeline Project Plan reference:** Workstream 3a

### East Midlands Airport and Gateway Industrial Cluster (EMAGIC)

EMAGIC consists of underdeveloped land within the adjacent East Midlands Airport, SEGRO Logistics Park East Midlands Gateway, and SEGRO South sites. The site has direct access to the strategic highway network (M1/A453/A42/A50), the airport apron, and includes Maritime's Rail Freight Terminal opened in March 2020. EMAGIC is a proven logistics location that will attract investment in high-tech air logistics, advanced logistics, and advanced manufacturing. The land at SEGRO Logistics Park is fully serviced and immediately available for development.

- ▶ **Size:** 160 hectares
- ▶ **Land ownership:** SEGRO/ Manchester Airport Group
- ▶ **Relevant Planning Authority:** North West Leicestershire District Council (NWLDC)
- ▶ **Planning status:** SLPEMG (incorporating the SRFT) has received class B8 planning consent and is supplemented by a £30m SEGRO investment into adjacent highway network and a further £70m on overarching infrastructure for the site. Further to this, North West Leicestershire District Council has already created an appropriate planning environment with an up to date (2017) Local Plan which supports growth and development at the airport. The adopted planning policy recognises the international links that the Airport provides, and it identifies the East Midlands Enterprise Gateway (the Airport and its adjacent East Midlands Gateway) area as a focus for economic and employment activity. In line with the National Planning Policy Framework, applications for planning permission should be determined in accordance with the development plan (unless material considerations dictate otherwise). In addition, 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) Order 2015 (as amended) and grants airport operators the following permitted development rights: *Class F (development at an airport) – The carrying out on operational land by a relevant airport operator or its agent of development (including the erection or alteration of an operational building) in connection with the provision of services and facilities at a relevant airport.* As set out in Section 1d. i. (Planning), with respect to the SEGRO South land, East Midlands Airport and SEGRO have to date held constructive discussions with other development partners and the local planning authority, North West Leicestershire District Council, with respect to the routes and process available for planning. The Local Planning Authority is committed to fulfilling their statutory duties in relation to the site, working with landowners to identify potential planning routes and identifying requirements for any planning application.

- ▶ **Target market alignment:** Advanced Logistics and Warehousing; Research and Development
- ▶ **Timeline Project Plan Reference:** Workstream 3b

### East Midlands Intermodal Park (EMIP)

EMIP is an emerging strategic rail freight interchange and is identified as a pipeline Nationally Significant Infrastructure Project (NSIP). As an NSIP, the main policy basis stems from the Government's National Policy Statement for National Networks, which details the need for the development of such interchanges along with HM Government's policy for addressing that need. Extensive pre-application discussions have taken place in respect of the DCO between Goodman, Derbyshire County Council, and South Derbyshire District Council, focusing on the necessary information required to inform the consultation process and assessment of the proposals.

- ▶ **Size:** 173 hectares
- ▶ **Land ownership:** Etwall Land Ltd
- ▶ **Relevant Planning Authority:** South Derbyshire District Council (SDDC)
- ▶ **Planning status:** At the local level, Policy INF3 in the South Derbyshire Local Plan sets out the criteria for the development of the site and Policies E2/E3 support industrial and business development at Toyota Motor Manufacturing UK. National planning policy support includes the National Policy Statement for National Networks. Development Consent Order/planning permission is required.
- ▶ **Target market alignment:** Advanced Logistics and Warehousing; Advanced Manufacture of Motor Vehicles, Innovative Aircraft and Other Electrical Equipment; Research and Development
- ▶ **Timeline Project Plan Reference:** Workstream 3c

### Key mechanisms and approaches

EMF's tax site activation plans require a range of mechanisms and approaches to be delivered effectively, noting different status of the proposed tax sites in their current form. Across the tax sites, however, some unified approaches to activation will be utilised. In particular, we note two key approaches:

*Recordkeeping process development* – With oversight from the Freepport board as per "Coordination" (below), processes will be implemented at each tax site to ensure consistent, timely, and accurate resilient records are kept of all the businesses operating, or applying to operate, within the tax site, including evidence of their beneficial ownership. Through the Freepport coordination processes (c.f. "Coordination"), these

records will then be fed back to the central Freepoint governing body, ensuring compliance with UK Government expectations and statutory requirements.

*Tax site security and Risk Management* – It is recognised the tax site security and risk management are key components to ensuring the effective operation of EMF as a whole; the EMF governing body will consult with and support each tax site operator to ensure adequate physical and cyber security is maintained, accounting for the potential overlap with customs sites.

Further to this, the activation of each site will draw upon industry standard site remediation and decommissioning approaches, development and construction approaches, project and programme management approaches, and key commercial approaches including the utilisation of PAS 2080.

#### 4a. ii. Coordination

Individual landowners will be responsible for the necessary activities to activate their tax sites. However, the Tax Site Management and Delivery Strategy recognises the need for coordinated oversight of the activation plans from the Freepoint's strategic governance framework.

Such oversight will be provided by the EMF's Sites & Infrastructure Subcommittee, who in turn will provide a report to Board on the progress of all tax site activation activities. Submissions will also be made to other relevant Subcommittees, such as Security & Compliance Subcommittee as well as inputting into the necessary risk management protocols, coordinated by EMF's Risk and Compliance Manager.



Coordination would primarily be focused on ensuring the Board has visibility of key tax site activation activities, including:

Progress in undertaking key remediation activity thereby providing clarity of the capacity of the Freepoint's tax sites to accommodate development activity.

Key milestones and activities associated with significant development activity, ensuring a strategic overview of the programme of development and potential synergies and infrastructure demands (such as transport infrastructure utilisation) this may derive.

Information relating to the achievement of key land benefits derived from the tax sites, ensuring a holistic view on the East Midlands Freepoint's strategic performance.

#### 4a. iii. Enablement

The insight gathered from the coordination of tax site activation activities will allow for a strategic and sector specific approach to tax site enablement. These activities are seen as being pivotal to EMF's Tax Site Management and Delivery Strategy. These aim to ensure a strategic approach to enabling the tax sites to maximise the value that they can derive. Informed through the coordination activity within the strategy, this aims to ensure key activities are aligned to the needs of the proposed tax sites, including:

Strategic investment attraction and investor support activities, as detailed in our Trade and Investment Promotion plans within the Strategic Case, Section 2d. i.

Marketing, delivered via EMF's Communications and Marketing Strategy, as detailed in Section 5c.

Developing and utilising best practice approaches to the utilisation of tax levers and the realisation of their proposed benefits.

#### 4a. iv. Benefits Realisation

EMF's Tax Site Delivery and Management Strategy recognises the need to ensure that effective protocols and approaches are in place to deliver Freepoint benefits and objectives through the activities of the proposed Tax Sites. The primary tool utilised to deliver this is EMF's "Tax Site Framework" (Annex Z).

The Tax Site Management Framework provides significant commitments from Operators relating to the aims and objectives of the Freepoint, offering a key lever to ensure the benefits founded upon the three core Freepoint objectives are realised.

Through the Framework it is incumbent on Site Operators and Occupiers to comply with all monitoring and evaluation activities, allowing a clear benefits case to be evidenced. Subsequently where benefits are identified as deviating from expectations, the Framework provides a tool to reinforce the intentions of the EMF's operation and drive up broader outcomes.

Supporting this framework, a project plan for each site is provided within Annex Y; this demonstrates all necessary activities, dependencies, risks and expected timelines for activating sites and bringing forward investment across East Midlands Airport, Ratcliffe-on-Soar, SLPEMG and EMIP.

The current status of tax site land in terms of commercial demand is provided within Annex Y, providing detail for each site on the proportion of land for which leases have been signed, heads of terms agreed, enquiries are active and accompanying market intelligence on the market within these Sectors in the East Midlands.

## 4b. Customs site delivery and management

### 4b.i. Site vision and strategy

#### **Ratcliffe-on-Soar – Uniper UK**

The vision for the Ratcliffe-on-Soar site is for it to be an attractive site for advanced manufacturing, energy, advanced logistics, and technology sectors, attracting both multinational businesses and regional SMEs. As part of this appeal, Ratcliffe-on-Soar intends to attract innovative companies that can contribute to HMG's objective of developing Freeports that are hot beds of innovation and job creation. Through this vision, the Ratcliffe-on-Soar site seeks to promote and contribute to a circular economy, whereby products and raw materials are reused. The importance of this is highlighted throughout this section of the FBC, with 'clustering' or the accumulative benefits of customs sites being one of the key attractions for investors in the site. The identified target markets and end users of the Ratcliffe-on-Soar customs site read across to the anticipated job creation detailed throughout the FBC, whereby EMF expects advanced manufacturing, advanced logistics, and the energy sector to be key areas of job creation, innovation, and growth.

At present, the two other potential customs sites, EMIP and the Maritime Rail Freight Terminal, have not reached the necessary development stage to provide a clear vision for their potential customs sites.

#### **Proposed site operators and existing customs regimes operating within the Freeport area**

Current prospective CSOs do not operate any customs special procedures.

Site	Proposed Operator	Existing Customs Regimes	Ambition for Temporary Storage?
Ratcliffe-on-Soar	Uniper UK	Does not currently operate any customs special procedures	Not at present
East Midlands Intermodal Park	Goodman	Does not currently operate any customs special procedures*	Not at present
Maritime Rail Freight Terminal	Maritime Transport	Unknown	Considering

\*Toyota entities operate various customs regimes on a site within proximity to the proposed customs site.

### 4b.ii. Land ownership and planning status of proposed customs sites

Each CSO proposed at the time of submission operates in an EMF tax site. Consequently, comments on land ownership and planning status in 1di (planning) and 4ai. are also valid for prospective EMF CSOs.

#### 4.b.iii. Project plan:

Noting that all sites are at the early stages of development, EMF has provided a high-level plan for the Ratcliffe-on-Soar customs site below. Neither the EMIP nor Maritime Rail Freight Terminal are able to provide project plans at this stage.

Activities	Risks	Dependencies	Expected Timelines
Registration of Interest	None – RoI is non-binding	Businesses submitting an RoI to become a CSO should be prepared to have discussions with HMRC about their ability to meet the requirements of the designation order	Already completed
Obtain inventory linking system	Potential financial cost	Development of an inventory linking system that meets the requirements of the Freeport customs regime, which will be dependent on third party developers	EMF expects an inventory linking system designed to suit the needs of EMF customs sites to be available within 6 – 12 months, however this is contingent on third party developers and potentially on HMRC approval for a bespoke

			inventory linking system that fits the Freepport customs site compliance requirements
Planning approvals	There is a potential risk that planning permission could be rejected	Approval from Rushcliffe Borough Council / Secretary of State	End of 2022
CSO application	<ul style="list-style-type: none"> <li>▶ Uniper UK may determine during the application process that it is not suitable for them to become a CSO</li> <li>▶ HMRC may reject Uniper UK's application for CSO status based on their inability to meet the required standards</li> </ul>	To apply for CSO status, Uniper UK must demonstrate that they meet the criteria of the designation, which includes being able to demonstrate that they have the systems and processes in place for customs control and that they meet the appropriate standards for safety and security	Contingent on development timeframes
Delivery of security infrastructure	Uniper UK will be required to demonstrate that they are AEO(S) certified or equivalent	Security infrastructure may be dependent on third party contractors / systems	Contingent on development timeframes
Marketing of customs site to potential business operators	There is a potential risk that no business operators may be attracted to the customs site	<ul style="list-style-type: none"> <li>▶ Clear communication of benefits / opportunities of customs site offering</li> <li>▶ Investors / business operators sectoral focus aligns to objectives of the Freepport</li> </ul>	Contingent on CSO application status and development timeframes

### Project plan risks / mitigations

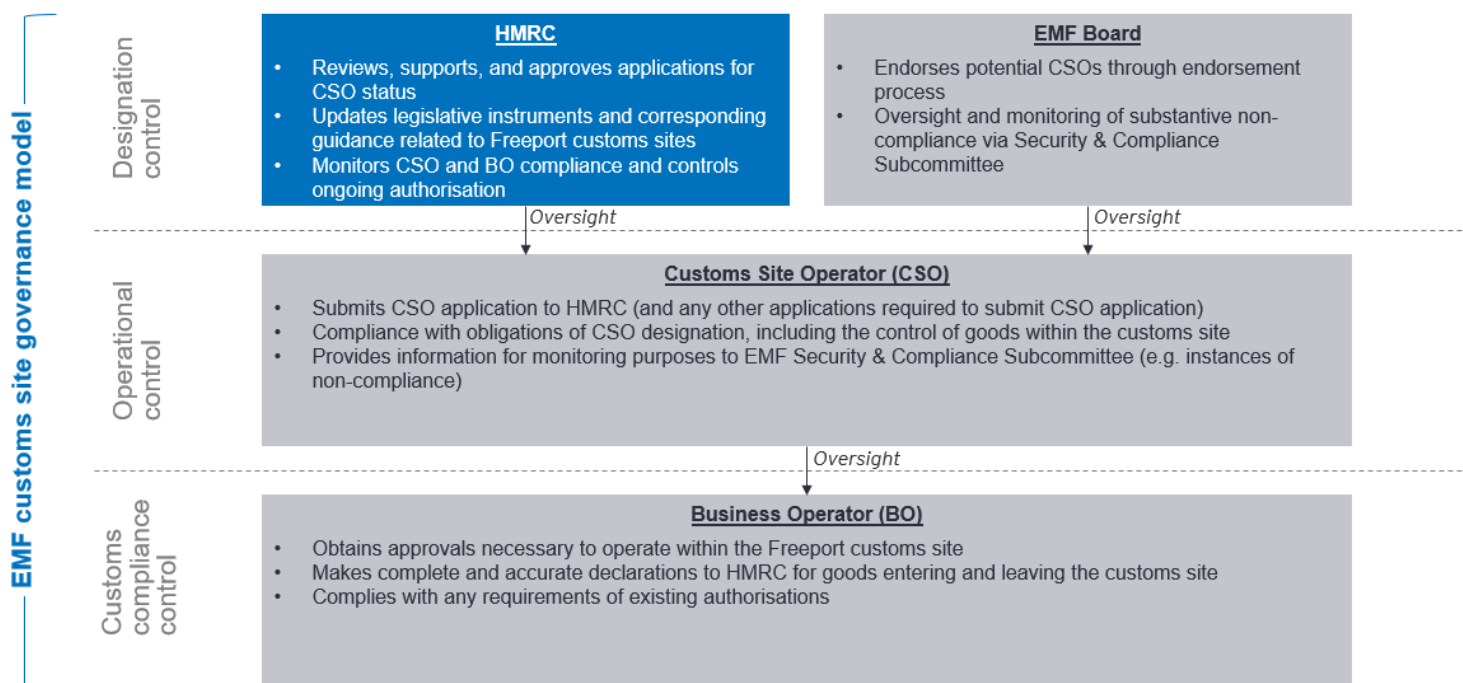
Recognising that there is currently only one proposed customs site, EMF has developed the following risk mitigations in the event the Ratcliffe-on-Soar site does not achieve designation.

Risk	Possible mitigations / alternatives	Dependencies
Ratcliffe-on-Soar does not achieve CSO designation	<ul style="list-style-type: none"> <li>▶ Maritime Transport to consider position as 'CSO of last resort.' Maritime Transport is in contact with HMRC to determine what form a potential customs site would take.</li> <li>▶ Prospective CSO identified post – expression of interest may achieve designation at an earlier stage. EMF has already taken steps to ensure that a process for identifying and endorsing future CSOs is in place. Currently three businesses have shown interest in becoming a CSO in the Freepport.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Development timeframes / status of future sites.</li> <li>▶ Board endorsement of prospective customs sites.</li> <li>▶ Ability of prospective CSOs to meet requirements of CSO designation.</li> </ul>

### 4.b.iv. Site delivery governance

The EMF Board has approved a Customs Operating Model which provides a general framework for site delivery governance. Site delivery governance is drawn from the governance structure detailed in Section 5a. This structure provides a 'Delivery Board' which includes an executive team and subcommittee structure. Some Customs site operators (depending upon board decision) are part of the executive team, however the subcommittee structure provides oversight and monitoring of project activities, including the functioning of the customs sites.

The governance structure provides three layers of oversight for site delivery governance – designation control; operational control; and customs compliance control. The framework is provided below:



### **Designation control – EMF Board Oversight**

Primary control over designation of CSOs in EMF is upon HMRC, who are ultimately responsible for control over the regime. However, the EMF Board has an initial point of control for designation and ultimately holds a veto over CSO designation for new prospective CSOs, given its powers of CSO endorsement. The process for endorsement of new prospective CSOs by the EMF Board is set out below.

The agreed process for endorsing new CSOs is as follows:

#### **1. Information available on EMF website**

Background information and endorsement process provided at a high level on EMF website, setting out process for acquiring EMF customs site, including the need for endorsement by the wider Freeport body, and the EMF email address to make further enquiries.

#### **2. Prospective CSO provides completed ‘diligence pack’ / information request for EMF Board screening**

Following initial contact from prospective CSO, a ‘diligence pack’ / information request is sent via email to the prospective CSO to be completed and shared with Executive Delivery Team (EDT) / programme management workstream. This will include\* elements such as: Entity name of potential CSO; Proposed site maps; Sectoral focus; Development state and current businesses operators in site; and Existing customs infrastructure / authorisations (\*Non-comprehensive list – please see the following section for the full list).

#### **3. Initial screening by Executive Delivery Team (EDT) / Programme Management workstream**

Prior to sharing as part of Board papers, the relevant team will review the pack for completeness of requested diligence pack, and reach out to the potential CSO to request any information missing from the pack provided. The review process will utilise an ‘endorsement rationale checklist’ to ensure that sufficient information has been provided to take the information pack to Board. When the submission is complete, the pack is shared as part of EMF Board papers.

#### **4. Board review diligence pack and reach endorsement decision at Board meeting**

After reviewing Board papers, at the next Board meeting there is discussion about the potential Customs Site and a vote by special majority on endorsement. Review will focus on adherence to sectoral focus; any known customs non-compliance; delivery of cross-EMF synergies. Three potential options for monitoring of the CSO are then discussed and voted on: Subcommittee monitoring (default), Subcommittee membership, or Board addition.

#### **5. Decision shared with prospective CSO and Registration of Interest Initiated**

If accepted, potential CSO is notified by email of endorsement, and is encouraged to initiate Registration of Interest. Where additional factors are in play – e.g. additional requirements in relation to monitoring or inclusion in governance processes, these are also communicated at this time.

EMF has developed a 'Diligence Pack' / Information Request (provided below) to be shared with prospective CSOs. The second column is to be used by EMF during the review of prospective CSO applications. The rationale checklist has been separated by 'decision-making gate' responses and 'supplementary information.' Applications cannot proceed without satisfactory responses to decision-making gate requests.

### **Endorsement rationale checklist**

Key
Decision-making gate
Supplementary information

Information requested	Checklist / minimum information required for progression of endorsement process
Entity name of potential CSO	Registered entity name
Site map of proposed Customs Site and location map of positioning within Freeport Outer Boundary	Map must be within the Freeport boundary
Current development state of site	Management information for Board to understand timeframes
Anticipated upcoming development timeframes of site	Management information for Board to understand timeframes
Entity names of current Business Operators on site	Supporting information if available and able to share
Entity names of secured future Business Operators	Supporting information if available and able to share
Sectors covered by current Business Operators on site (including SIC codes)	Clear alignment with Freeport target sectors or rationale as to why proposed sectors are complementary to EMF / Freeport policy objectives
Sectors covered by future Business Operators on site (including SIC codes)	Same as above
Details of existing Customs authorisations held by potential CSO	No minimum requirement / standard, but useful to understand current state of readiness
Details of existing Customs / security infrastructure or systems on site	Capability for secured external boundaries with entry and exit only allowed at identified points
Details of existing Customs capability of potential CSO	Baseline customs knowledge and capability would be beneficial
Any history of Customs non-compliance by potential CSO	If applicable, offers details on any penalties / outstanding debts
Plans to obtain temporary storage authorisation	If applicable, details where facility will be located in relation to the site
Plans for acquiring appropriate inventory linking system	Demonstrates clear intentions and capacity to obtain inventory linking solution as part of application process
Any identified synergies or collaboration identified with existing EMF sites or businesses	Alignment with EMF sites and target sectors
Commitment to support EMF Net Zero 2050 ambitions and associated monitoring requests, including cooperating with EMF baselining efforts and substantially contributing to the EMF consolidated Net Zero target (net of carbon removals and as follows: 68% reduction by 2030, 78% reduction by 2035, and 100% reduction [net zero] by 2050)	Confirmation
Any relevant references	References demonstrate business / applicant is in good standing
Commitment to abide by EMF monitoring requirements, including but not limited to: <ul style="list-style-type: none"> <li>• Providing details of any known Customs non-compliance to appropriate EMF subcommittee</li> <li>• Providing entity names of new Business Operators and their sectors</li> <li>• Future statistical or monitoring requirements implemented by the UK Government for Customs Sites</li> </ul>	Confirmation

If endorsed by the Board, by progressing forward with the designation process with HMRC, prospective CSOs will be expected to commit to the following, in addition to any commitments provided through the information request:

- ▶ To honour the obligations set out in the OECD Code of Conduct for Clean Free Trade Zones
- ▶ To honour the UK's Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 and registering with a Government approved supervisory authority to follow anti-money laundering regulations.

The Board has also developed a process in the event it cannot endorse a prospective CSO based on the information submitted. This includes the basis for rejecting a prospective CSO and includes an appeals process for the prospective CSO. If appealing the decision, a potential CSO can provide additional rationale and content for consideration to EMF Board via email, which reinitiates the consideration process. Only one appeal can be made per prospective CSO. Following positive or negative endorsement decision, the appropriate EMF team notifies the prospective CSO and HMRC of the decision.

As detailed in Section 5a. i, it is anticipated that a specific Security and Compliance Subcommittee will be established. The remit of the Security and Compliance Subcommittee will include oversight and monitoring of CSO compliance.

The specific attributes of the Security & Compliance Subcommittee as it relates to CSO compliance are as follows:

- ▶ Annual security and risk assessments of customs sites
- ▶ Reporting of any non-compliance with designation requirements to the Board (e.g. lack of notification to HMRC for new site construction or failure to report any changes that could affect CSO status);

The Executive Delivery Team will include a full time Risk & Compliance Manager (hosted as an employee by the Lead Authority). The Risk & Compliance Manager will be responsible for preparing monthly compliance reports and will support CSOs with compliance monitoring and reporting. As part of this, the Risk & Compliance Manager will monitor EMF's overall fulfillment of Freeport obligations and compliance, including the monitoring of security risks and effectiveness of Freeport wide security controls. The Risk & Compliance Manager will also support CSOs with the facilitation and implementation of external security audits to ensure consistent compliance with the CSO designation. External security audits are an important function for maintaining AEO(S) security and safety standards.

### **Operational Control**

CSOs are responsible for the operational delivery and control within the customs site. This includes the completion and submission of the CSO application (and any other relevant applications required) to HMRC. Compliance with the obligations of the CSO designation, while monitored by the EMF Board through its relevant subcommittee, is also entirely the responsibility of the CSO.

In particular, the key attributes of the CSOs' operational controls are as follows:

The Customs Site Operators will work with HMRC to obtain the necessary authorisations when required, meeting the conditions within Section 200A of the Customs and Excise Management Act 1979 (CEMA 1979).

They will operate in compliance with all other applicable codes and regulations; namely the OECD Code of Conduct for Free Trade Zones and the Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017.

Following the outcome of their discussions with HMRC during the application phase, CSOs will be responsible for assigning the necessary level of resourcing to fit the operational requirements of the CSO designation. This is likely to include:

1. **Customs Site Entry Staff** – Specific staff for performing documentary checks for goods entering and exiting the customs site. These personnel will require a baseline level of customs knowledge to be able to accurately check the paperwork for goods entering and being removed from the site;
  2. **Security Personnel** – A sufficient amount of security personnel responsible for monitoring the perimeter and interior of the site, with responsibility for the implementation of documented security procedures for goods in and out. The security personnel will be responsible for notifying CSO management about any security breaches that may need to be highlighted to the relevant Board subcommittee.
  3. **Administrative / Clerical Personnel** – Customs site delivery is likely to require administrative and clerical personnel to support the compliance with the record keeping requirements of the authorisation. Administrative personnel may also be required to support day-to-day operations of the customs site, including coordinating any queries / issues arising from different business operators and acting as a point of contact for EMF Board correspondence.
  4. **Overall Management** – It is anticipated that a centralised management team will be responsible for the day-to-day delivery of the customs sites, including the oversight of the roles listed above (1-3). Management will be responsible to the Board and relevant subcommittees and, in particular, responsible for reporting any breaches of their designation to the Board.
- ▶ It is the responsibility of the CSO to determine the appropriate level of resources required to deliver the customs sites compliantly. It is anticipated that resourcing decisions will follow the initial conversations taking place between prospective CSOs and HMRC. As the understanding of the CSO requirements improves throughout the application process, CSOs will be responsible for providing resourcing levels appropriate to fit the requirements of their designation.

### **Customs compliance control**

As part of the delivery governance of the customs sites, EMF has determined that customs compliance control sits with the business operators. The business operators are responsible for submitting accurate declarations to HMRC and maintaining relevant records fitting with the requirements of their relevant authorisation (e.g. the Freeport customs special procedure or any other special procedure allowing the business operator to enter goods into the customs site).

The responsibilities for customs compliance control for business operators include the following:

- ▶ Complying with the obligations of the Freeport customs special procedure or any other existing special procedure authorisation that permits the business operator to move goods into or out of the customs site;
- ▶ Complying with the declaration process for entering goods into and removing goods from the customs site;
- ▶ Complying with the record keeping requirements of the Freeport customs special procedure or any other relevant procedure used to enter goods into or remove goods from the customs site;
- ▶ Report any customs non-compliance or breaches of any customs rules or safety and security taking place on the customs site to the CSO;
- ▶ Maintaining and updating internal work instructions regarding customs compliance that could impact compliance with the rules of the Freeport customs special procedure (or any other customs special procedure used to enter goods onto the customs site);

It is the business operators responsibility to ensure that staffing levels within their business site is sufficient to meet the obligations of their respective authorisation.

### **4.b.v. Corporate and project governance policies**

In overseeing the CSOs, the Board is responsible for monitoring the CSOs in the execution of the activities covered by their designation order, which may include, but may not be limited to, the following:

- ▶ *Overseeing their respective customs sites;*
- ▶ *Controlling the movement of goods and monitoring associated permissions.*
- ▶ *Maintaining site security and working with DLUHC, HMRC, Border Force, the NCA and Home Office to conduct an annual audit of active security measures and any breaches*
- ▶ *Keeping records in accordance with HMRC guidance;*

- ▶ *Preparing regular compliance reports with support from the Risk & Compliance Manager; and*
- ▶ *Preparing periodic activity round-ups for the attention of the Security & Compliance Subcommittee.*

While the EMF Board will provide high level oversight of the CSO's activities, it is the responsibility of the CSO to comply with all conditions of their authorisation, which will be monitored by HMRC. The relevant corporate and project governance policies that provide reference to CSOs can be found in Annex J.

It will be requested of the CSO that in the event of any known substantive non-compliance with any conditions of their authorisation, notification is made to the EMF board via the subcommittee structure. Remedial actions and continued endorsement of the CSO in question will then be discussed at board level.

## 4c. Commercial and marketing plans

Marketing activities associated with the Freeport focus on the end goal of attracting prospective occupiers to the Freeport that meet the sector and broader regeneration objectives of the EMF Board. The marketing plan operates at both Global, National and Regional levels reflecting the breadth of opportunities for trade afforded by the Freeport, alongside more localised opportunities such as employment and accordingly the flagship Companies and Private Investment targeted. The international promotion strategy for EMF, as highlighted in 1cii), is already in development in conjunction with DIT on the Promotion Strategy for the UK Freeport programme, identifying target geographies based on the segments, supply chain opportunities and trade agreement strategy that aligns with the EMF Value Proposition.

At a site level Marketing plans will be developed to meet the timescales identified within the Enablement phase of the Tax Delivery strategy, following key designation and planning milestones achieved during Delivery Coordination, with individual sites working to the following target dates;

Site	Site Specific Marketing Target Date	Target Date for Site Occupancy
EMAGIC	Noting the maturity of its development status the SLPEMG site, outstanding plots are being actively promoted. East Midlands Airport will being marketing activities for its plots to prospective Aerospace targets in 2023.	East Midlands Airport – January 2024 SLPEMG – Occupation of areas of the site started in early 2021.
EMIP	Marketing of the site will begin formally towards the end of 2023 following key planning hurdles.	July 2025
Ratcliffe-on-Soar	Marketing and Occupier Engagement has already begun on the site and will accelerate around the recent LDO Consultation Process	Q3 2023 onwards

### **Role of the EMF Marketing, Communications and Investment Subcommittee and Executive Team**

The EMF Marketing, Communications and Investment Subcommittee will provide the strategic oversight, capacity and funding to ensure the Commercial and Marketing Plan objectives are achieved. The Subcommittee will also play an active regional and national network role; connecting prospective occupiers and site operators, establishing relevant promotion and investment partnerships, and monitoring the success of marketing interventions through inward investment leveraged and site utilisation. The Subcommittee will oversee the efforts of the Marketing and Investment function, sitting within the Executive Team with delivery responsibility for the EMF's communications and marketing strategy per Section 5c, and continued generation and innovation in the EMF's stakeholder and promotion approach, overseeing and directing enquiries received, developing all marketing collateral and help to set up and facilitate communication channels as required.

### **External Partners and Agencies**

A number of external partners and agencies exist within the region with the potential to play a role on Subcommittees such as Marketing Nottingham, Marketing Leicestershire and Invest in Leicestershire where engagement is in place, these organisations will play a participant role in, or be contributory toward the Subcommittees bringing local insights, promotion capacity and alignment continuity, throughout the Setup and Delivery Phase. These parties will help shape the annual marketing plan, amplify key announcements made by the Freeport and broaden the network of the EMF with key regional and local stakeholder groups and agencies.

### **Enquiry Management Protocol**

Upon receipt of an enquiry, a clear protocol has been identified (5c. iv.) to ensure they are directed to the Enquiry Management Protocol within the EMF; given the breadth of potential organisations interested in the Freeport from those with an ambition to operate on the site such as prospective CSO's and Tax Site Occupiers through to Inward Institutional Investors, Export and Import firms, Promotion Agencies requiring a structured protocol that provides consideration toward the enquirers status will be adopted.

## 4d. Seed Capital Procurement Strategy

Significant work has already been undertaken in the definition of the Seed Capital projects, with the current Project Profiles the output of a broad Gateway Assessment and Prioritisation exercise. In parallel with the submission of the Business Case, the Working Groups established for each of the Seed Capital projects will be developing a project Business Case. This process will be overseen by the Sites and Infrastructure Committee, with the S151 Subcommittee acting as advisors to the case to ensure a through Viability and Subsidy Control assessment is

conducted, as detailed in Section 4h. below. Upon completion the finalised Business Case will be consulted on by the EMF Board, and approved by Public Sector Board Members in line with the agreed RACI.

Upon approved Seed Capital Business Cases, procurements for the Seed Capital will be undertaken by one or divided between the partner Local Authorities ensuring obligations under The Public Contracts Regulations 2015 are met where applicable. All procurement activities will be subject to a business case and extended cost modelling process which will evaluate different delivery model options including assessment of in-house internal resources and expertise, procuring a service from an outside supplier or mixed economy models that combine insourcing and outsourcing different components of the requirement.

Procurement activities are built into the wider project plan which will identify milestone and key dependencies to the wider programme of works. In line with the Seed Capital approved by the EMF Board the following Procurements will be required related to the Freeport Seed Capital projects:

Seed Capital Project	Project Sponsor	County Council Procurement Oversight	Target Procurement Completion Date	Anticipated Procurement Lead
Connecting road infrastructure	Goodman	Derbyshire CC	FY24/25	Goodman
Cycle Routes	Derbyshire CC	Derbyshire CC	Late 2022	Local Authority Led
Connecting road infrastructure	Uniper UK, Nottinghamshire CC	Nottinghamshire CC	June 2023	Local Authority Led
South Site Preparation	Uniper UK	Nottinghamshire CC	December 2022	Local Authority Led
Hydrogen Skills Academy (HSA)	Loughborough, Nottingham and Derby Universities	Leicestershire CC	December 2022	Local Authority Led

### ***Proposed Route to Market***

All Seed Funded projects will be subject to a business case and cost modelling process evaluating different delivery model options and ascertaining which route to market will deliver best value for the Public Purse. This business case process would also identify where market testing or engagement would be necessary as part of the project scoping works.

Where the Business Case identifies a need to procure from an outside supplier the procurement will be undertaken in adherence to The Public Contracts Regulations 2015 and would be an open procedure, restricted procedure or framework call off for 'off the shelf' requirements which may be considered for the Customs Site Inventory and Operating System. For more complex requirements such as the larger Road Infrastructure requirements a competitive procedure with negotiation (CPN), competitive dialogue (CD) or innovation partnership (IP) would all be evaluated and expected to prompt best value for money.

### ***Meeting Best Practice Standards***

All Seed Funding Procurement activities will fully support Local Authority Financial Regulations and meet obligations under The Public Contracts Regulations 2015. Procurement activities will be undertaken in a sustainable way ensuring value for money is achieved. The procurements will align with the responsibilities under the Public Services (Social Value) Act 2012 and ensure they follow the respective Councils Corporate Environment Policy, Modern Slavery, Climate and Carbon reduction strategy.

The three principles of sustainable procurement: Social, Environmental and Economy will be embedded into procurement process, so become an integral part of any relevant contracts and delivery. Sustainable procurement will be included and monitored at pre-tender, tender and post-contract award stages (including monitoring and evaluation), through to the end of the life of the contract and including any disposal of equipment or handover costs for assets. The Council's will deploy early market engagement to encourage innovation and engagement from local businesses and small and medium enterprise in line with their inclusive growth strategies.

### ***Approach to Cost Modelling and Pricing Mechanisms***

Noting the nature of the required assets the Construction Playbook will act as the backbone of procurement planning. An Outcome-based approach would be adopted aiming to use a project score card and key performance indicators to ensure desired outcomes are delivered. This is consistent with using key performance indicators in NEC under option X20 as well as low-performance damages under option X17, both of which help to achieve specific outcomes and protect value for money.

Benchmarking and should-cost models – the use of data from past projects to develop benchmarking as well as developing a should-cost model to improve understanding of whole-life costs and value. NEC contracts recognise the importance of whole-life cost in option X21, which provides a mechanism that promotes identification of whole-life savings.

### ***Evaluation Criteria Adopted***

Evaluation processes will comply with the Public Contracts Regulation 2015, with each procurement consider the necessary design of the evaluation methodology working with the key stakeholders to ascertain expectations, requirements and how value for money can be measured in line with the specification. Each procurement will ensure that the criteria used at each of the stages are relevant, objective, proportionate and non-discriminatory. Criteria (and any sub-criteria) used by the Council at both the selection stage and the award stage, together with any weightings attached to them, will be published and made known to suppliers at the time of the issue of either the PQQ, the

Invitation To Tender (ITT) documents or RFQ. Relevant legal and ethical responsibilities with consideration of the three key themes (environmental, social, and economic) will be embedded into the evaluation criteria.

Each evaluation will include compliance with the core principles of transparency, non-discrimination, equal treatment, and proportionality. Evaluation will include:

- ▶ Issuing evaluator guidance and Conflict of Interest forms
- ▶ Developing and testing the evaluation models before the contract is advertised, including to ensure it contains relevant, clear and focused qualitative evaluation criteria
- ▶ Completing the evaluation at each stage of the procurement process, as appropriate e.g. when using the competitive dialogue or competitive procedure with negotiation procurement routes.
- ▶ Raising clarifications with bidders during the evaluation and taking responses into account
- ▶ Planning and completing moderation meetings
- ▶ Ensuring comprehensive and thorough notes and comments are maintained throughout.
- ▶ Collecting all notes taken through the process prior to making any award decision.
- ▶ Evaluation criteria or questions for the procurement and how these will ensure the right goods/services/land/buildings are procured, in a VfM manner, and to standard.

## 4e. Risk Transfer

EMF has set a number of overarching principles in relation to risk, alert that the EMF project will only be a success if risk allocation is equitable and viewed as appropriate by all parties;

1. **A Principle of Active Risk Treatment:** A commitment to reducing risk exposure for EMFCo and Members through transfer to third parties, insurances, and liability or financial caps. Additionally where risks are realised the ability to access RBR Fund Reserves (Objective 4) will act as a key buffer against unexpected events.
2. **A Principle of Risk Monitoring and Assessment:** An enduring activity of the EMF project throughout setup to delivery phases. Risk monitoring , reporting and mitigation will be an embedded, cyclical process at Freepport, Tax Site and individual project level where funded through Seed Capital or Retained Business Rates.
3. **A Principle of Appropriate and Commensurate Allocation:** The primary rationale for allocating a given risk to a party or Board Member will be their ability to assess the risk, reduce its probability, or reduce the consequences of the risk most efficiently. This position will also be informed by the likely benefits conferred to the party of the activity.
4. **A Principle of Equity:** Risk and risk allocation will be assessed individually and in aggregate to determine whether a party or Board Member is carrying too much risk across differing risk classifications such that delivery, and therefore value for money, is threatened.

For Seed Capital projects, primarily highways infrastructure where the Public Sector is likely to lead Procurement, the following risk transfer and allocation will be adopted as first principles. The table provides an indication of the types of risk that could emerge during the lifecycle of a Seed Capital project, how risk mitigations would initially be sought, and then for any residual risk how this would be allocated between the Seed Capital Recipient (typically expected to be the Project Proposer) and any contractor or supplier:

Risk Category	Risk Mitigation	Following Mitigation, Forecast Residual Risk Allocation	
		Seed Capital Recipient (SCR)	Supplier
<b>Design Risk –</b> For example project delivery or financial risks emerging from poor project design.	Primary risk mitigation approach would be to transfer to a third party through the Design contract.	In the event that SCR commissioned the designers, SCR would carry any residual design risk. Should a Private Sector Partner or Local Authority Commission designers, they would hold this design risk.	
<b>Procurement Risk –</b> For example challenge arises to the fairness or competitiveness of the	Primary risk mitigation is to treat, through insurances and specific and residual liability limits.  Operate within Public Sector Regulations.	The project location would determine the Lead procuring Local Authority, providing this offered best value for money. The Lead Authority would lead then hold the Procurement risk..	

procurement process.			
<b>Slippage Risk</b> – For example key delivery deadlines or go-live are missed.	Primary mitigation is to tolerate through effective monitoring. Transfer through subcontracts or subcontractors.	In the event slippage occurred this risk would be shared between SCR and Supplier; with specific allocations dependent on the cause defined in the contract. For example planning approval would be defined a Local Authority risk, poor programme management would be allocated to the Supplier.	
<b>Cost Overrun Risk</b> – for example where poor cost control increases delivery cost.	Treat via effective project processes and controls. Tolerate through continuous monitoring and contract management.	Cost overrun risks would be shared between SCR and Supplier; allocation will be undertaken dependent on cause of overrun. For example cost overruns resulting from project rescoping prompted by SCR would be held as a risk by SCR. Cost overruns developing from ineffectual cost control by the Supplier would be allocated to the Supplier..	
<b>Inflation or Material Price Changes</b> – Where material increase in costs.	Treat through forward securing of materials or fixed price purchasing.		Supplier responsible for Risk
<b>Regulatory Risk</b> – for example a regulatory change drives up costs or administrative burden.	Tolerate through effective monitoring and horizon scanning of the regulatory and compliance environment.	If risks and issues emerge of a regulatory nature, these would be shared between SCR and Supplier with allocation specific to nature of regulatory or law change. For example a regulatory change, resulting in additional reporting or administrative burden for the supplier would be considered a cost of business risk, and allocated to the Supplier.	
<b>Supplier Default</b> – for example where a contractor becomes insolvent or exists the contract.	Treat through continuous supplier credit and resilience monitoring.	In the event of Supplier default, the risk would inevitably fall to SCR to mitigate.	
<b>Unforeseen Events</b>	Tolerate through effective monitoring and escalation processes.	Risk shared between SCR and Supplier, where possible specific matters will be described and risk allocated through the contract.	

In later phases of the EMF where projects are funded by Retained Business Rates, the allocation of financing risk will be undertaken on a project by project basis with regard to identifying risks and developing mitigations, particularly where RBR are not generated at expected levels.

#### 4f. Seed Capital Contract Management

Commercial models for the Seed Capital will be considered on a project basis – one approach could be to engage key suppliers on the same terms therefore making them all financially incentivised and motivated to deliver the project objectives and take collective responsibility.

The tendering/contract award phase and the in-life contract management phase will be a continuum rather than distinct phases, with appropriate contract management identified and planned for from the start of the project dependent on the lead body. Contract management success is strongly influenced by the tendering and contract award process, in terms of understanding the specified requirements, the terms and conditions agreed, and the KPI's that have been established.

#### 4g. Public Sector Borrowing

As denoted in 1d Retained Business Rates at present it is not anticipated that any public sector borrowing will be required; this position will be regularly reviewed by the EMF Board, Infrastructure Subcommittee and appropriate stakeholders. In the event projects are identified that contribute to accelerating benefits or access to the site, EMF is willing to borrow for investment/infrastructure across the Freeport sites and wider travel to work area.

## 4h. Subsidy Control Assessments of Seed Capital

As noted in 4d. following submission of the Business Case EMF will be conducting Viability and Subsidy Control assessments on the Seed Capital projects. BEIS has provided seven principles to the new Subsidy Control regime, and the assessment approach applied by the S151 Subgroup will consider each Seed Capital investment as follows;

1. **Principle A:** A strong Policy Objective would be provided for the Seed Capital investment through a clear Strategic, and if required, economic benefits case. The majority of Seed Capital projects are directed toward the acceleration of site development and vital connectivity works that are prompted by the Freeport initiative, unlocking the land and growth opportunities in sites with latent potential.
2. **Principle B:** An evaluation of the proportionality of funding across all Public and Private parties, evidencing the blend of likely funding sources and evaluating the reasonableness of this. Seed Capital working groups will promote the leveraging of private investment directly into the projects, and the assessment will also test how Seed Capital catalyses private investment rounds in future phases.
3. **Principle C:** The case for Seed Capital investment would evaluate the beneficiary base following completion of the scheme, utilising the analysis within the project profiles to ensure a broad range of beneficiaries across the Freeport, it's members and wider regional stakeholders.
4. **Principle D:** The Seed Capital case would evidence the rationale for public sector intervention through analysis against the do-nothing case for each scheme, providing a foundation for why public monies should be utilised and how in its absence economic, social and commercial outcomes would be limited or not achieved.
5. **Principle E:** The potential for, and scale of market distortion would be explored, particularly for non-connectivity related schemes that could impact other local or regional markets. This principle would need close exploration on the Skills Academy for example to demonstrate this would not distort local provision or negatively impact local providers.
6. **Principle F:** Analysis of the domestic effects created by the Seed Capital investment, chiefly on future Private and Public investment decisions and subsidy design.
7. **Principle G:** Evaluation on the UK and international impacts on Trade, Growth and Competition, following conclusion of the scheme.



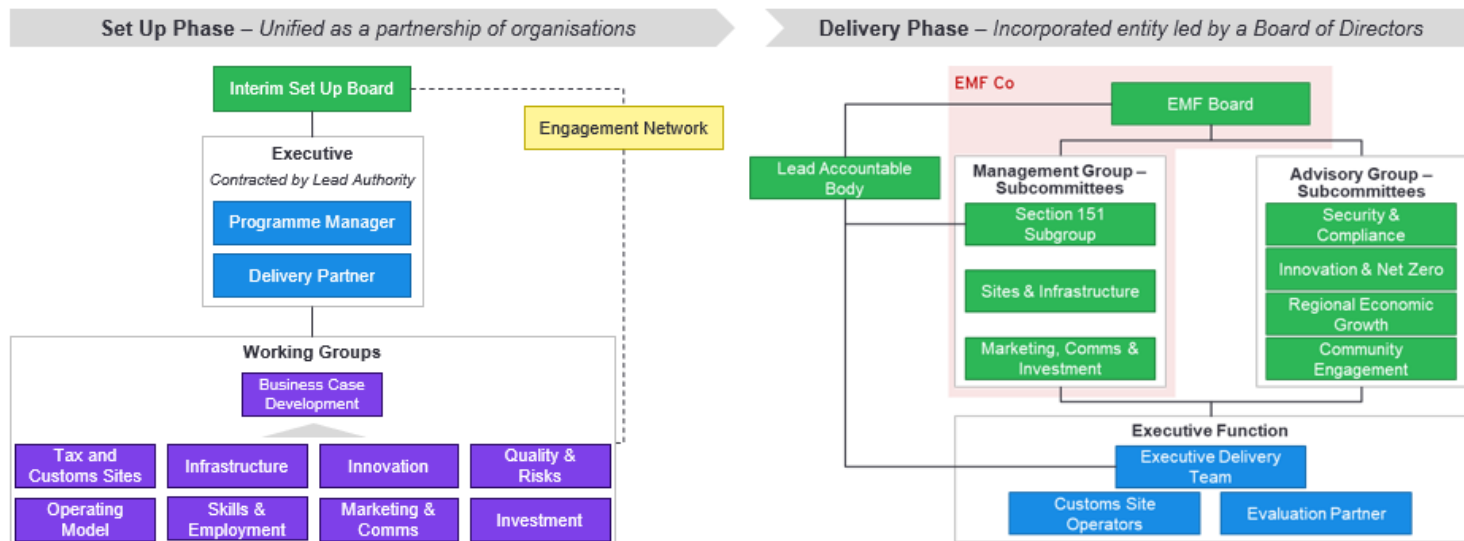
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# Management Case

## 5a. Governance Timeline and Update

### 5a. i. Governance structure evolution

Set Up Phase governance is currently operational and will evolve into a refined, implementation-focused governance structure at the Delivery Phase, which has been designed to consider the governance and oversight needs of the Freeport. This transition will illustrate the principle of continuity to maintain effective operations, at the point of designation and beyond. The governance structure for the Delivery Phase has evolved since OBC stage to reflect the decisions by the EMF Board to move towards a model of Incorporation (outlined in Section 5a. ii.), the evolution of EMF's subcommittee structure (outlined in Section 5a. i.), and changes to EMF's Executive Delivery Team (outlined in Section 5b).



### Delivery Board

The Delivery Phase governance structure is centered around the EMF Board. The Interim Set Up Board is currently operational during the Set Up Phase and will transition to the Delivery Board according to the timeline in Section 5a. v., with changes as outlined above as a result of the move towards Incorporation.

The key attributes of the Delivery Board are:

The Board will continue to be composed of 12 Board Members [REDACTED] and an Independent Chair, and will meet on a monthly basis [REDACTED].

The balanced composition of the current Set Up Board will continue, with six public sector partners, six private sector partners [REDACTED].

The Independent Chair will be confirmed via a process undertaken during the transition period between Set Up and Delivery (outlined in Section 5a. viii).

The Board will be supported by a designated Secretary, being the Executive Support Officer from the Executive Delivery Team (per Section 5b), who will circulate Board papers to Board members and record minutes of Board meetings. At the Set Up Phase, this duty is currently being carried out by a representative from the Lead Authority. This provision will continue, outlined in the Services Agreement between the Lead Authority and EMF, until the appointment of the EDT.

The Board will be also supported by a number of observers, whose requirements will be determined as required by the Board but will include, as a minimum, a representative from the Lead Authority, from DLUHC and DevCo.

The Board's operations will be formally defined within the Articles of Association and the Members Agreement (Annex J), which will be adopted during the transition period and through the process of Incorporation.

### Subcommittees

An assembly of seven Subcommittees will be established as part of the Delivery Phase governance structure, covering areas of particular complexity, risk, or programme necessity. Six of these subcommittees will be internal subcommittees, with the Community Engagement Subcommittee being an external subcommittee. They will support the Board with decision making in accordance with each Subcommittee's Terms of Reference and in line with EMF's RACI (Annex J), providing feedback on plans and progress and offer specialist advice on technical matters within their remit. These lines of reporting will be clear, frequent and include other relevant partners as required, to ensure Board receives the support needed and that there is no duplication of effort between Board, Subcommittees, the Executive Delivery Team and other relevant partners.

EMF's seven Subcommittees, demonstrated in the structure chart above, have been broken down into two distinct components. Management Subcommittees will be responsible for the oversight and delivery of key Freeport activities through discharged powers from EMF Board such as pooling and use of RBR or infrastructure prioritisation. Advisory subcommittees will be responsible for the provision of expertise, technical advice and counsel to the EMF Board, Management subcommittees and Executive Function, aligned to key functional areas such as innovation initiatives, compliance monitoring or community engagement. The range of subcommittees purposefully encompasses the full remit of the Freeport's delivery responsibilities:

Management Subcommittees:

- ▶ S151 Subgroup
- ▶ Sites & Infrastructure
- ▶ Marketing, Comms and Investment

Advisory Subcommittees:

- ▶ Security & Compliance
- ▶ Innovation & Net Zero
- ▶ Regional Economic Growth
- ▶ Community Engagement (External)

The key attributes of the six Internal Subcommittees are:

- ▶ Six internal-sitting Subcommittees will be formed from the membership of the existing specialist Working Groups, which are currently supporting the Board through the necessary activities within the Set Up Phase, including collaborative development of the proposal.
- ▶ Formal composition of each Subcommittee will be determined by a member nomination process, completed by each EMF partner organisation and confirmed by the EMF Board. A formal Chair of each Subcommittee will be proposed by the membership to the Board for confirmation, and Vice-Chair will be appointed by each Subcommittee's membership.
- ▶ Composition of the S151 Subgroup will not be subject to the nomination process. Instead, membership will be the S151 officers of each Local Authority & District Council, supported by the Executive Delivery Team as required.
- ▶ Subcommittee membership will comprise representatives from both the core EMF coalition group as well as from other relevant stakeholders as recommended by EMF's member organisations and confirmed the Board.
- ▶ Additional members may be co-opted into the Subcommittees subject to Board approval.
- ▶ These six Subcommittees will be underpinned by Internal Subcommittee Terms of Reference, which will be overarching joint heads of terms – these are reflective of the EMF RACI (Annex J)

The key attributes of the Community Engagement Subcommittee are:

- ▶ The Community Engagement Subcommittee will be a formalised evolution of the existing Engagement Network, which is currently an index of external contacts whom the Board and the Working Groups can consult for ad-hoc feedback and use as a sounding board to rationalise plans and decisions.
- ▶ The Community Engagement Subcommittee's membership will comprise participants from the Engagement Network who do not form part of the core (internal) partner group, as set out in Section 5a. vi.
- ▶ Additional external stakeholders may be continually co-opted into the Community Engagement Subcommittee, subject to Board approval of their direct involvement in the programme.
- ▶ As the Community Engagement Subcommittee will sit externally to the core EMF group, its meetings will be supported by core EMF partners who will provide programme updates, facilitate Q&As and pass on key feedback points and meeting outcomes to the Board, whilst information that is deemed commercially sensitive by the core EMF partners will not be shared with the group to ensure partner confidentiality is maintained.
- ▶ The Subcommittee will be underpinned by the Community Engagement Subcommittee's Terms of Reference – which is reflective of the EMF RACI (Annex J)

The Subcommittee structure will evolve from the working groups established during the Set Up Phase. This transition will take place as the EMF moves into the Delivery Phase, along the below timeline. This phased mobilisation of Subcommittees has been approved by the EMF Board, to best support critical operational activities whilst intending to avoid placing undue capacity requirements on EMF's Board.

Target date	Subcommittee milestones
<b>Ongoing</b>	Pre-delivery working groups in operation (S151 subgroup, Marketing Comms Investment, Sites & Infrastructure, Governance & Legal)
<b>10 Mar 2022</b>	Formal Terms of Reference agreed for each Subcommittee by EMF Board
<b>21 Apr 2022</b>	Chairs and nominees confirmed for each Management Subcommittee

<b>25 Apr 2022</b>	Management Subcommittees formally launched to support EMF's delivery
<b>23 Jun 2022</b>	Chairs and nominees confirmed for each Advisory Subcommittee (potential membership of Community & Engagement Subcommittee outlined in 5a.vi)
<b>27 Jun 2022</b>	Advisory Subcommittees formally launched to support EMF's delivery
<b>Annually</b>	Subcommittee structure, composition and effectiveness reviewed as part of EMF annual governance review

In addition to the above groups, the Delivery Phase governance structure will oversee the day-to-day operational activities of the Executive function, which will be comprised of the Executive Delivery Team, the Customs Site Operators and the Evaluation Partner, details of which are set out in Section 5b.

## 5a. ii. Plans for incorporation

The EMF Board has considered options associated as to whether it is best structured as an incorporated or unincorporated body for the Delivery Phase of the Freeport's existence. A Board decision was taken in January 2022 to transition EMF to an incorporated entity, in time for the designation of EMF. Therefore, upon designation, EMF will be an incorporated body (EMFCo). The decision to Incorporate was taken to best deliver EMF's objectives, strengthen delivery across parties and manage risks appropriately.

The EMF Board will have oversight of the EMFCo, with the current EMF Board members becoming directors of the new incorporated body. The incorporated body is proposed to be formed as a Company Limited by Guarantee. The incorporated body will be governed by principles set out in:

- ▶ Articles of Association: outlining the formation of the Incorporated body (publicly available)
- ▶ Members Agreement: more detailed aspects of EMFCo's governance and workings (not to be made public)

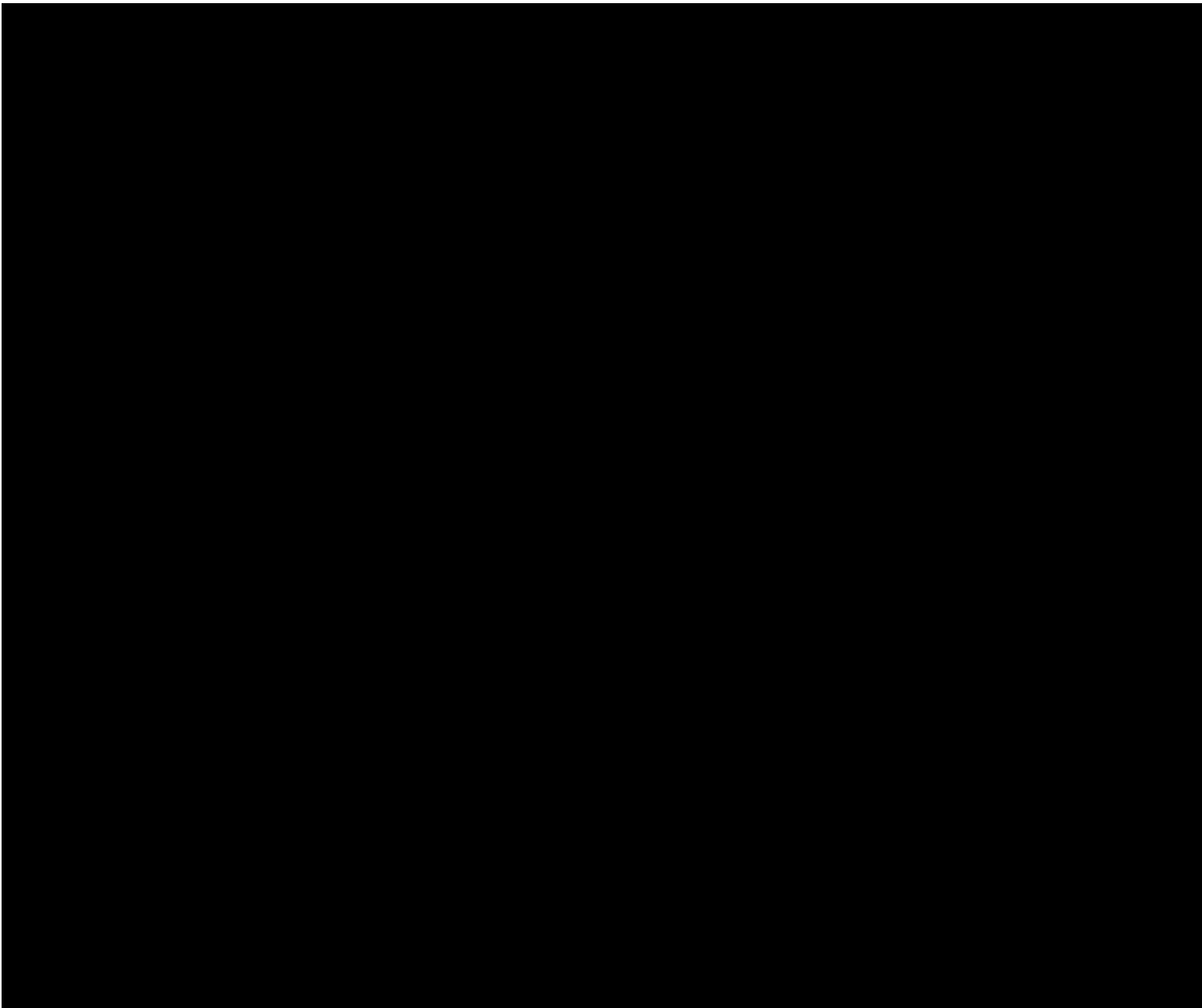
The Articles of Association and Members Agreement have been agreed by EMF Partners and Board members. They also set out:

- ▶ Scope and objectives of the EMFCo, including what matters fall outside the organisation.
- ▶ Expectations of members and directors including a commitment to adhere to the EMF Articles of Association and EMF Members Agreement.
- ▶ 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, details of which are included in Section 1d and 5v.ii of this FBC.
- ▶ The ability for the EMF Board to create rules.
- ▶ Contractual approval authority and who the contracting party will be on its behalf.
- ▶ Board, membership and Lead Authority reserved matters.
- ▶ The process for handling financial records and reporting
- ▶ The responsibilities and accountabilities of EMF's Board, including the responsibilities granted to each of EMF's Subcommittees.

Incorporation of EMFCo will take place in advance of Designation, the timescales for this are detailed below. Further detail on wider governance milestones can be found in Section 5a. v. The below timetable for incorporating EMF is subject to change, with formal execution subject to final Board approval.

Target date	Incorporation milestone
<b>20 Jan 2022</b>	EMF Board decision to progress towards an Incorporated Governance Structure
<b>13 April 2022</b>	Members Agreement & Articles of Association approved at EMF Board
<b>13 May 2022</b>	Formal details of incorporation (forms, Directors, liabilities etc.) prepared for Board approval
<b>19 May 2022</b>	Formal details of incorporation approved by EMF Board
<b>31 May 2022 (assumed date)</b>	EMF formally incorporated as EMFCo





#### 5a. iv. Ensuring a meaningful partnership where private sector is heard

The partners of EMF acknowledge that this programme must be primarily private-sector led, whilst also drawing on collaboration with the relevant public sector authorities to ensure an effective balance of objectives that aim to benefit local enterprise and economic prosperity as well as address areas of social need across the region. The EMF is a true example of public-private partnership, with organisations from each sector working closely together to achieve a common goal. Private sector partners share the ambition and the objectives of the Freeport, seeking to deliver benefits for the East Midlands region, as well as commercial benefit for their organisations.

In evidence of this, private sector partners comprise half of the Delivery Board membership from Set Up through to Delivery; not including the externally appointed independent Chair and the co-opted DevCo representative. As Board members, these private sector partners have the opportunity to bring a different voice to matters concerning the Freeport's Board, to facilitate constructive discussions around key issues. In this way, private sector partners can directly influence the strategic direction of the Freeport by exercising their voting rights per the Board's Members Agreement (Annex J), ensuring key developments and decisions are steered by the relevant landowners and developers whilst maintaining probity of Board decisions and keeping the shared objectives of the EMF at the core of all decision making. Further detail on this can be found in the Conflict of Interest Policy (Annex J), which outlines processes and requirements of Board members.

Equally, once the Working Groups evolve into advisory Subcommittees, they will continue to engage a wide pool of stakeholders across the public and private sector, with representation from LEPs, Higher Education and specialisms that are core to the programme such as transport, freight, logistics and manufacturing. Continuing the partnership working between the public and private sectors in this way will ensure that the EMF Executive Delivery Team and the EMF Board receive the expert guidance and advice needed to make informed decisions. For example, there will be significant private sector involvement in the Innovation & Net Zero and Marketing, Comms & Investment Subcommittees

Crucially, once the Freeport is live and operational, the site development process will be managed by the respective landowners, and any future development proposals will be subject to planning approval and consultation with the relevant local authorities, members of the local community and other key stakeholders as appropriate.

Partnership working is at the core of EMF's structure and operations, with private sector partners working in lock-step with those from the public sector. A particular example of this is how EMF proposes to foster and manage innovation within the Freeport and work to deliver EMF's Net Zero objectives. EMF's Innovation Strategy (Annex L) will be delivered by EMF's partners, including those in the private sector. In addition, there will be significant private sector representation on the Innovation & Net Zero Subcommittee embedding the role of the Private Sector in the EMF's Net Zero agenda. Private sector partners will take a leading role in delivery and will work closely with the Evaluation Partners to monitor progress (outlined in Section 5b. i).

### 5a. v. Timeline of future governance milestones

A timeline of material milestones associated with the development of the governance structure are provided below, which are also referenced in the wider Project Plan (Annex C). This timeline considers an assumed date of designation once feedback from DLUHC has been actioned and includes the provision for recruitment and launch of Subcommittees.

Governance structure reviews will take place on an annual basis, starting from the Delivery Phase (mid-2022 onwards) to ensure its continued robustness and efficiency. There will also be a formal, EMF-wide review of governance conducted in Autumn 2026. The below milestone timeline provides a comprehensive programme of governance milestones for EMF – including a look back at completed milestones for completeness.

	Target Date	Future Governance Milestones
<b>Set Up</b> 11 months (Mar 2021 – Apr 2022)	<b>Mar 2021</b>	Board in set up delivery phase
	<b>24 Sep 2021</b>	OBC feedback received from DLUHC
	<b>19 Nov 2021</b>	OBC feedback addressed and returned to DLUHC
	<b>10 Feb 2022</b>	Confirm final structure of the Executive Delivery Team
	<b>24 Feb 2022</b>	Final structure of subcommittees confirmed for delivery phase
	<b>10 Mar 2022</b>	Subcommittee Terms of Reference confirmed
	<b>14 Mar 2022</b>	Commence process to appoint permanent independent Chair
	<b>24 Mar 2022</b>	Members Agreement and Articles of Association confirmed
	<b>28 Mar 2022</b>	Commence recruitment for EDT (sequenced to begin with Freeport Director)
	<b>14 Apr 2022</b>	Submission of FBC to Government
	<b>21 Apr 2022</b>	Confirm future membership and Chairs of Management Subcommittees
	<b>24 Apr 2022</b>	Disband Set Up Phase Working Groups and relieve members of responsibilities
	<b>25 Apr 2022</b>	Mobilise Management Subcommittees, governed by formal Terms of Reference
	<b>19 May 2022</b>	Confirm final details of EMF's Incorporation
<b>22 May 2022</b>	Appoint and contract EMF's independent Chair	
<b>31 May 2022</b>	EMF formally incorporates as EMFCo	
<b>Delivery</b> Ongoing (Jun 2022 – onwards)	<b>Jun 2022</b>	FBC feedback received from DLUHC ( <i>assumed date</i> )
	<b>Jun 2022</b>	FBC feedback actioned and returned to DLUHC ( <i>assumed date</i> )
	<b>1 Jun 2022</b>	EMFCo Board launches under full delivery capacity, including reporting to DLUHC
	<b>3 Jun 2022</b>	Preferred candidate contracted for Freeport Director role
	<b>23 Jun 2022</b>	Confirm future membership and Chairs of Advisory Subcommittees
	<b>27 Jun 2022</b>	Mobilise Advisory Subcommittees, governed by formal Terms of Reference
	<b>1 Jul 2022</b>	Preferred candidates contracted for remaining EDT roles
<b>July 2022</b>	Formal designation of EMF ( <i>assumed date</i> )	

## 5a. vi. Memberships, powers and appointment/recruitment policies

The below table summarises EMF's key Governance components; their memberships, powers and appointment processes. Full details are outlined in each component's governance documents; EMF Board Members Agreement and Articles of Association (Annex J), Subcommittee Terms of Reference, Executive function Job Descriptions and Evaluation Partner's terms of engagement.

	Board	Internal Subcommittees	Community Engagement Subcommittee	Executive function (detailed in Section 5b)
<b>Membership</b>	<p>Externally appointed independent Chair (interim at Set Up, permanent at Delivery) and one rep from each of:</p> <ul style="list-style-type: none"> <li>▶ Leicestershire County Council (Lead Authority)</li> <li>▶ Nottinghamshire County Council</li> <li>▶ Derbyshire County Council</li> <li>▶ North West Leicestershire District Council</li> <li>▶ Rushcliffe Borough Council</li> <li>▶ South Derbyshire District Council</li> <li>▶ East Midlands Airport</li> <li>▶ SEGRO</li> <li>▶ Maritime Transport</li> <li>▶ Goodman</li> <li>▶ Etwell Land Ltd</li> <li>▶ Uniper UK</li> </ul> <p>The Board will have a number of non-voting observers, who will contribute to EMF's strategic decisions and oversight of operations. This includes, but is not limited to DLUHC and EM DevCo.</p>	<p>Various representatives from the core (internal) partner organisations, matched to the six internal-sitting Subcommittees (listed below) based on the relevance of their specialist knowledge, skills and experience:</p> <p>Management subcommittees:</p> <ul style="list-style-type: none"> <li>▶ s151 Subgroup</li> <li>▶ Sites &amp; Infrastructure</li> <li>▶ Marketing, Communications &amp; Investment</li> </ul> <p>Advisory subcommittees:</p> <ul style="list-style-type: none"> <li>▶ Innovation &amp; Net Zero</li> <li>▶ Security &amp; Compliance</li> <li>▶ Regional Economic Growth</li> </ul> <p>The Board can create new subcommittees as required and can change the focus of existing groups to best suit the delivery of EMF's objectives. The Board's ability to do so is outlined in Annex J.</p>	<p>External stakeholders who do not form part of the core coalition group but can provide useful feedback and steer as a dedicated external-sitting governance forum. Membership may include but is not limited to:</p> <ul style="list-style-type: none"> <li>▶ Nearby residents</li> <li>▶ Regional MPs</li> <li>▶ LEPs</li> <li>▶ Midlands Engine and Connect</li> <li>▶ Further and Higher Education</li> <li>▶ National Highways</li> <li>▶ Network Rail</li> <li>▶ Trade Unions</li> <li>▶ East Midlands Chamber</li> <li>▶ Trade and Investment Networks</li> <li>▶ Regulatory Networks</li> <li>▶ Environmental Agencies</li> <li>▶ Local Parish Councils</li> </ul>	<p>The Executive is comprised of:</p> <ul style="list-style-type: none"> <li>▶ Executive Delivery Team, spanning four functions: <ul style="list-style-type: none"> <li>▶ Executive leadership</li> <li>▶ Marketing &amp; Investment</li> <li>▶ Operations</li> <li>▶ Resources &amp; Growth</li> </ul> </li> <li>▶ Customs Site Operators</li> <li>▶ Evaluation Partner</li> </ul> <p>Roles and responsibilities, FTEs and estimates of costs in respect of the Executive function are detailed in Section 5b.</p>
<b>Powers</b>	<p>Primary powers include voting rights on Board-level decisions (such as the use of retained business rates), the authority to sign-off materials due for submission or external issuance (including to government and the general public) and other reserved matters.</p>	<p>Certain Board responsibilities (except Reserved Matters) may be delegated to the Internal Subcommittees from time to time in accordance with the Members Agreement (Annex J). Management subcommittees have greater levels of powers and responsibilities than Advisory subcommittees, as outlined in each group's Terms of Reference.</p>	<p>As external stakeholders, members only have the power to influence programme plans and Board-level decisions through their feedback, recommendations, and technical insight. Subject to Board approval, members may be invited to observe Board meetings.</p>	<p>Certain Board responsibilities (except Reserved Matters) may be delegated to the Executive function from time to time in accordance with the Members Agreement (Annex J). The executive function will lead the operational running of the Freeport, with key responsibilities of each role outlined in the scheme of delegation (5a.vii).</p>
<b>Appointment /Recruitment Policies</b>	<p>The Interim Board organisations will nominate sufficiently senior representatives (and any substitutions) as Directors of the Incorporated EMFCo, to be confirmed during the process of incorporation. Continuity will be prioritised, although any new incumbents will be supported by a thorough handover process.</p>	<p>Changes to membership must be approved by the Subcommittee and the Board. Representatives from other organisations with relevant specialist expertise may be co-opted, subject to Board approval.</p>	<p>Membership may be expanded as and when additional contacts are identified, engaged with through the appropriate communication channels and approved by the Board.</p>	<p>The Executive Delivery Team will be employed by the Freeport as permanent contracted members of staff. The Evaluation Partner will be a data analytics consultancy, contracted by the Freeport. The Customs Site Operators will consist of each site's existing staff.</p>

## 5a. vii. Scheme of delegation

A scheme of delegation can be found within EMF's Members Agreement in the form of a comprehensive RACI, which is supplied at Annex J as part of the suite of governance documents. This breaks down each primary activity that the Freeport will undertake and gives clarity as to the accountability and responsibility for delivery of each activity – outlining by which component within EMF's structure each activity will be conducted. Activities have been broken down into seven core groups, which will be replicated within EMF's Operating Manual to guide delivery. These activities cross-cut core aspects of the proposal, including planning, innovation, trade and investment promotion, retained business rates use, security and compliance, monitoring and evaluation, Net Zero and placemaking. As part of its annual governance structure review, the Board will assess EMF's Subcommittee structure and the Executive function (detailed in Section 5b) to ensure its continued appropriateness. EMF's RACI will be seen as a live document, being updated as required when processes are agreed by Board.

Detail on the delivery and Governance of specific initiatives and delivery plans have been outlined in the Trade and Investment Strategy (Annex K), the Innovation Strategy (Annex L) and the Skills Plan (Annex N). These delivery plans outline in detail how key delivery plans will be delivered to achieve EMF's objectives.

The process by which EMF will govern aspects of its operations are laid out in the Board RACI (Annex J), internal subcommittee Terms of Reference and EMF's internal Operating Manual. EMF will ensure robust governance is applied to all activities undertaken and reflect best practice in respect to any process that involve public money. To illustrate these, an overview of the governance process around use of Retained Business Rates, Seed Capital Projects, and Tax/Customs Site management is provided below.

### **Use of Retained Business Rates**

Retained Business Rates expenditure is one of the key levers of the Freeport. EMF is forecast to generate £0.9bn+ in Retained Business Rates over the next 25 years; the Assessment Gateway and Prioritisation process for Retained Business Rates is detailed within Section 1c, focused on ensuring Value for Money.

### **Business Case Development**

The Business Case process has been constructed to ensure a transparent, robust and efficient decision-making process. Business cases will follow a specified best practice template, and be evaluated against an Assessment Gateway and Prioritisation Process then submitted to the Sites & Infrastructure subcommittee for a formal review against EMF's prioritisation framework, comparing the proposed project against EMF's defined strategic priorities which include the needs of the East Midlands region.

The responsibility for developing proposals and producing supporting business cases will be incumbent on the organisation championing the proposed project. The s151 subcommittee will act as a key consulted forum throughout the design and approval of the Business Case process.

Business cases will then progress to a Viability & Subsidy Control assessment, formally considered by EMF's s151 subcommittee; composed of the s151 and supporting officers from the Accountable Body, representation from other Local Authorities, and the EDT's Finance Manager. Subject to passing this assessment, the s151 sub-group will refer the business case proposal to the EMF Board.

### **Board Review and Public Sector Approval of Business Case**

The EMF Board will review the Business Case intending to employ Retained Business Rates against EMF's strategic priorities, ensuring that the proposed spend aligns with EMF's and the region's objectives and needs. The Board will draw input from other subcommittees as required (e.g., Innovation & Net Zero, Regional Economic Growth). However, the approval of the Business Case will be a reserved matter for the Public Sector Board Members (as outlined in Annex J). This will ensure that public funds are directed by Local Authority representatives and advised by the s151 subcommittee. All organisations involved in decision making around the spending of Retained Business Rates will abide by EMF's Conflict of Interest policy (within Annex J).

Seed Capital expenditure will follow the Business Case approach identified above, with detail provided within the Commercial Case.

### **Management of Tax & Customs Sites**

Tax and Customs benefits are a key lever with which to attract inward investment into EMF's sites. Their designation will enable a significant inflow of investment, which will create jobs for the region and generate significant Retained Business Rates for EMF. As outlined in 1f, 4d and Annex Z, the Tax Site Framework will ensure that EMF subjects potential tax site occupiers to a rigorous process to ensure business operations align to EMF's objectives.

Tax Site Operators will lead on an initial 'Gateway A' assessment of the potential occupier, to test their alignment to EMF's target sectors, to what extent the investment will provide additionality of benefit, protect against displacement and confirmation that the organisation passes the Operator's 'fit and proper' assessment. The 'Gateway B' assessment will then be carried out within EMF's governance structure, engaging the s151 subgroup who will advise the Public Sector Board Members as to the occupier's suitability to access the varied benefits of the Tax Sites, most notably Business Rate Relief. The Public Sector members of the EMF Board will, based on the s151 advice, approve the Occupier with this governed in an expeditious manner to promptly secure investment.

## 5a. viii. Independent Chair appointment process

The Board of the EMF and the EMFCo will seek appointment of a permanent, Independent Chair to sit on the Freeport Board as the EMF moves into Delivery Phase towards designation. The process to identify and appoint a permanent Chair will be undertaken prior to that of the Executive Delivery Team, to enable the Chair to influence the recruitment of senior roles within that team – particularly that of Freeport Director.

The recruitment process will be conducted at pace, while adhering to recruitment & selection policies and all equity, equality and inclusion policies. This will ensure a robust process is undertaken to select the best individual to support EMF realising its objectives.

The selection panel of for the permanent Chair will include representation from EMF's public and private sector partners, as well as include representation from EMF's strategic advisors.

### Status

The recruitment process for the EMF Independent Chair is in progress, as indicated by the appointment timeframes below.

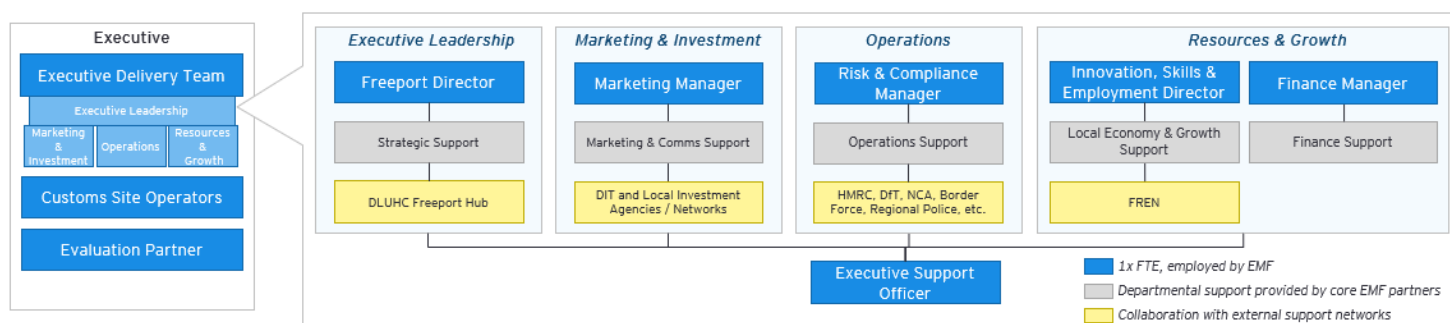
### Appointment timeframes (these timelines are subject to change)

Target Date	Chair recruitment milestones
24 Feb 2022	Confirm Chair specification
14 Mar 2022	Advertise externally for applicants – including using private sector partner networks
1 May 2022	External advertisement closed for applications
15 May 2022	Selection process concluded, preferred candidate identified (including shortlisting and interviews)
22 May 2022	Contracting concluded
25 May 2022+	Target Chair start date (dependent on any notice period required to be served)

## 5b. Team Structure

### 5b. i. Executive team roles and responsibilities

The Executive function at the Delivery Phase will be built upon the existing structures that are already in place to support current Set Up activities, ensuring an effective transition to full operation. The Executive function that is currently operational during the Set Up Phase is comprised of an externally appointed Programme Manager and Delivery Partner, both of which are contracted by the Lead Authority and are working together closely to actively support key Set Up activities. This includes monitoring of progress and risks, collation of the proposal and feeding of materials and updates between the Working Groups, which are driving the proposal's development, and the Board, which is appraising and formally signing off all deliverables. When the programme enters the Delivery Phase, the focus of the Executive function will shift from planning and administrative support to direct implementation of the proposal, and will be comprised of the Executive Delivery Team, the Customs Site Operators and the Evaluation Partner, as set out below and expanded from the structure outlined in 5a.i. This team will lead on the operational running of the Freepoint, working to drive forward EMF's objectives under strategic direction from the Board.



### Executive Delivery Team

The Executive Delivery team will be responsible for conducting the integral day-to-day operations underpinning live programme delivery. The key attributes of the Executive Delivery Team are:

The Executive Delivery Team will span across four core functions that are fundamental to implementation of the proposal; Executive Leadership, Marketing & Investment, Operations and Resources & Growth.

Each function will include dedicated staff who will be responsible for undertaking various activities within their cluster's remit.

Each function will be supported by the Executive Leadership Function and the Executive Support officer. The former will provide overall leadership for the Executive Delivery team, through the Freepoint Director. The latter will run between the functions and provide ad-hoc administrative and secretarial assistance.

The FTEs shown will be suitably qualified personnel, ideally with private and public sector experience, who will be recruited to the timescales and process outlined in 5b.ii, employed by the incorporated EMFCo.

The FTEs will be supplemented with resourced support from the EMF partner organisations, drawing on existing capacity and capabilities from the coalition group. Each function will also actively collaborate with relevant external support networks, including DIT, HMRC and FREN, to strengthen EMF's offer, approach and level of compliance as well as to promote regional outcomes.

### Evaluation Partner

The Evaluation Partner will lead on progress and performance-related data collection, monitoring, reporting and evaluation, communicating updates across the cohort as well as reporting externally to DLUHC and other authoritative bodies such as Border Force and the NCA as required. The key attributes of the Evaluation Partner are:

The Evaluation Partner is anticipated to be an independent, specialist data analytics consultancy, contracted by the incorporated EMFCo.

They will provide a feedback loop between the Executive Delivery Team, the Subcommittees and the Board, collating data and status updates from on-the-ground operations and circulating progress and performance reports amongst the cohort to ensure all parties are sighted on live activities. They will work closely with all other components of EMF's governance structure, with particular focus on the Security & Compliance and the Innovation & Net Zero subcommittees – working with those groups to assure EMF's delivery and report comprehensively to Government.

They will report internally to the Board and externally to DLUHC and other bodies as required on progress and performance against thematic KPIs, including Net Zero and D&I, as well as HMG's three overarching Freeport policy objectives, acting in adherence with the programme-level M&E Framework once it has been published by Government.

**Customs Site Operators**

The Customs Site Operators will be responsible for overseeing their respective customs sites, controlling the movement of goods and monitoring associated permissions, managing their own site security and maintaining records in accordance with HMRC guidance and their designation order. The key attributes of the Customs Site Operators are:

The prospective organisations that are considering being the potential Customs Site Operators (and the customs sites that they would manage) are proposed as follows; Uniper UK (Ratcliffe-on-Soar), Goodman (EMIP), and Maritime Transport (EMAGIC). However, it should be noted that further CSOs are also anticipated to follow.

The Customs Site Operators will work with HMRC to obtain the necessary authorisations when required, meeting the conditions within Section 200A of the Customs and Excise Management Act 1979 (CEMA 1979).

They will operate in compliance with all other applicable codes and regulations; namely the OECD Code of Conduct for Free Trade Zones and the Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017.

**5b. ii. Executive team recruitment and remuneration policies**

The recruitment and remuneration policies of the Executive function have been supplied at Annex J, and details of how these will apply in practice are summarised below.

**Executive Delivery Team**

*Policies*

For those positions within the Executive Delivery Team that are externally recruited, they will be employed as full-time employees by the Freeport. However, this will be in line with Leicestershire County Council's standard recruitment and remuneration policies (within Annex J). Practical back-office support will be provided by the Accountable Body covered within the Services Agreement between EMF and Leicestershire County Council. Key components of the recruitment and remuneration policies for the Executive Delivery Team are as follows:

Job descriptions and person specifications for each role will be subject to joint approval by internal Lead Authority functions and the EMF Board.

Each role will be matched to the appropriate Lead Authority pay grade and benefits package based on the position's duties and responsibilities, seniority and pre-requisites around qualifications and experience.

A thorough process will be undertaken by the Lead Authority and EMF Board to evaluate applicants, which will include final interviews conducted by a balanced private-public sector panel with equality in representation.

The EMF Board will decide on preferred candidates, who will each sign a formal Contract of Employment with the EMF, with an initial probationary period of 6 months, as is standard for new employees. Support from the Lead Authority will be provided around administrative and HR activities for the duration of their employment with EMF, as outlined in the Services Agreement between the Accountable Body and EMF.

*Status*

The recruitment process for the EMF Executive Delivery Team is in progress, as indicated by the appointment timeframes below.

*Appointment timeframes*

The recruitment plan has been purposefully sequenced to facilitate identified candidates playing a role in subsequent recruitment rounds. At the point of undertaking EDT recruitment, the Independent Chair will have been appointed and subsequently recruited the Freeport Director. In turn, recruitment for the remainder of the EDT roles will be undertaken once the preferred Freeport Director is in role. The timeline is outlined below, augmented by the Chair appointment process (outlined in 5a.viii). Due to the desire to sequence recruitment, the below timescales are subject to change – depending on process of the Chair recruitment.

Target Date	Executive Delivery Team recruitment milestones
28 Mar 2022	Freeport Director role advertised for external applicants
15 May 2022	Freeport Director advertisement closed for external applicants
25 May 2022	EDT roles advertised for external applicants
6 Jun 2022	Freeport Director selection completed and preferred candidate identified (including shortlisting and interview)

<b>13 Jun 2022</b>	Freeport Director contracting concluded
<b>13 Jun 2022</b>	EDT roles closed for external applicants
<b>3 Jul 2022</b>	EDT roles selection completed and preferred candidates identified (including shortlisting and interview)
<b>10 Jul 2022</b>	EDT roles contracting concluded
<b>13 Jul 2022+</b>	Freeport Director start date (dependent on any notice period required to be served)
<b>11 Aug 2022+</b>	EDT roles start date (dependent on any notice period to be served)

#### **Evaluation Partner**

The Evaluation Partner will be hosted by the Freeport as a contractor rather than a full-time employee, to promote independence in monitoring, evaluation and reporting to DLUHC. Key components of the recruitment and remuneration policies for the Evaluation Partner are as follows:

The tender specification will be subject to joint approval by internal Lead Authority functions and the EMF Board.

The contract size and initial contract length will be determined by the Lead Authority and the EMF Board, and will ensure compliance with the applicable State Aid rules.

A thorough process will be undertaken by the Lead Authority and EMF Board to evaluate tenderers, which will include detailed assessments of proposals received and interviews of shortlisted candidates.

The EMF Board will decide on the preferred contractor, who will formalise their agreement in the form of an Engagement Letter with the Lead Authority and EMF, which will be overseen by the Executive Delivery Team.

#### *Status*

Evaluation partner appointment will follow permanent chair appointment.

#### **Customs Site Operators**

Subject to the resourcing requirements demanded by their obligations, it is currently expected that each of the Customs Site Operator organisations, as set out in Section 5b. i., will leverage their existing workforce to conduct the necessary responsibilities defined by HMRC and DLUHC in relation to customs site operation and compliance. In this instance, they would select the most appropriately placed staff to take on these duties and manage and operate the necessary IT systems and security requirements. Confirmation of these arrangements as well as more granular details around resourcing will be determined once a comprehensive assessment of their obligations has been conducted.

### **5b. iii. Lines of reporting and ensuring accountability**

EMF is committed to ensuring that the Executive function is effectively held to account for delivering each area of responsibility with optimum care, skill and diligence. Details of how EMF intends to uphold this standard are set out below:

#### **Executive Delivery Team**

The FTEs within the Executive Delivery Team will be contractually obligated to fulfil the responsibilities and duties underpinned by their binding employment contract with the EMF. The Freeport Director, the most senior role within the Executive Delivery Team, will be responsible for line and performance management of the remainder of the Executive Delivery Team. The Freeport’s Independent Chair will be responsible for the line management and oversight of the Freeport Director.

Overall performance management of the Executive Delivery Team will be overseen by the EMF Board. For further operational matters relating to the Freeport, the Executive Delivery Team will work with and report to relevant subcommittees aligned to their remit. These subcommittees will hold EDT resources to account, working together to monitor their effectiveness, highlight and mitigate issues with performance to the appropriate line manager (Freeport Director or Independent Chair). Corrective measures to any issues will be imposed by the line management within EMF, with appropriate support from the Accountable Body as required.

The Lead Authority will provide further practical support to EMF’s Executive Delivery Team, such as administrative support, HR or PAYE as required. This will be outlined within the Services Agreement, agreed between the Accountable Body and the EMF.

The EMF Board will continually assess performance of the Executive Delivery team, ensuring that the Freeport is achieving value for money and driving EMF towards achieving its objectives and realising proposed benefits. In particular, the EMF Board will assess performance over the EDT’s 6-month probationary period (5b.ii). At the conclusion of this period, the EMF Board will assess whether the current resource allocation is sufficient to deliver the required activity (e.g. Communications responsibilities within the Marketing Manager role). This will ensure that undue requirements aren’t placed upon the Lead Authority or other EMF partners in the discharging of the EDT’s duties.

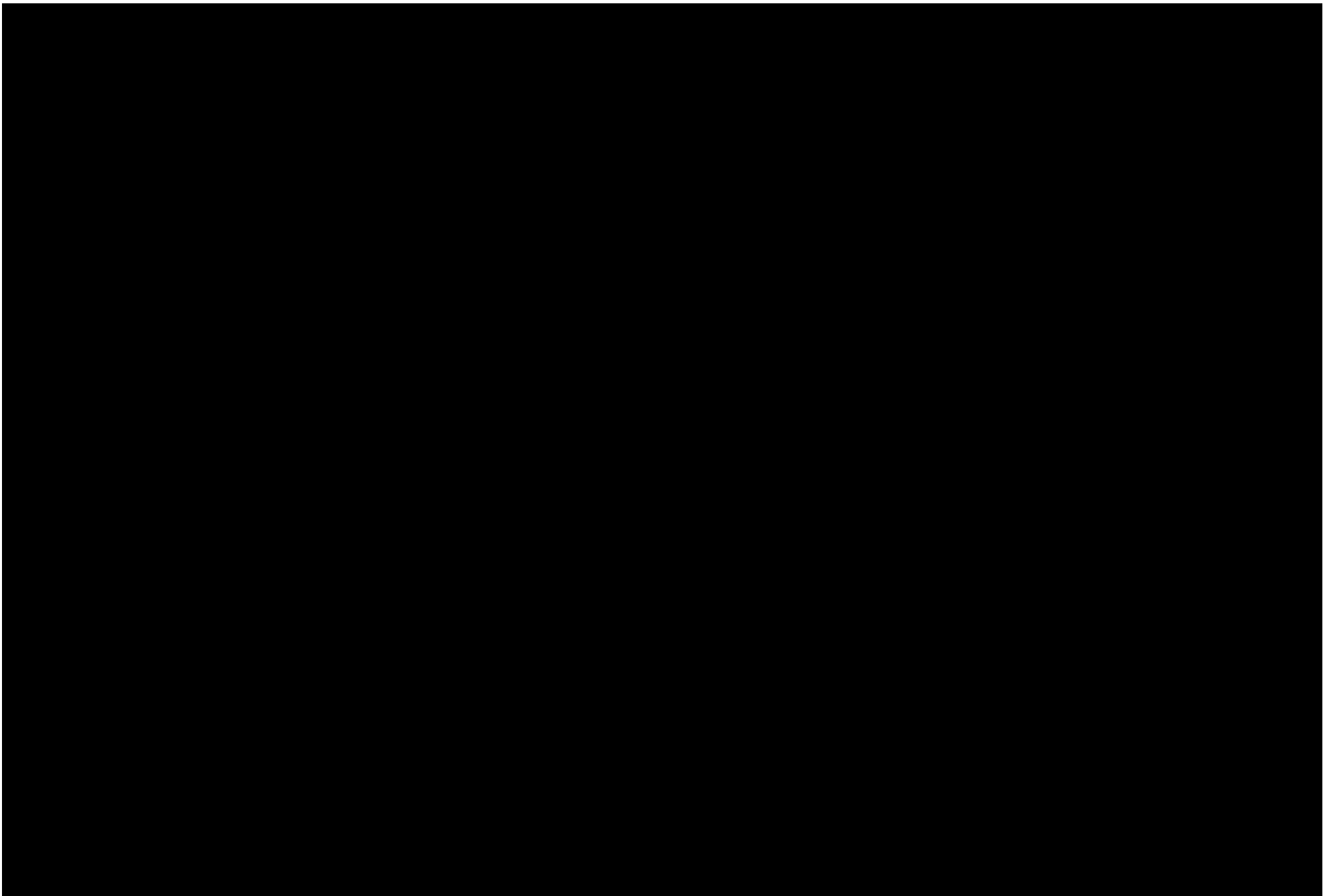
#### **Evaluation Partner**

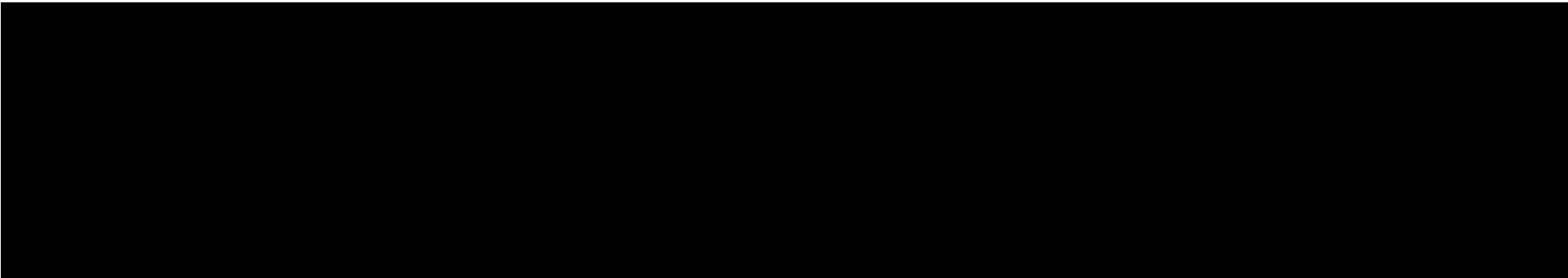
The Evaluation Partner will be held to account by the Freeport Director and the Finance Manager within the Executive Delivery Team, who will ensure that they are fulfilling their duties and obligations prescribed by their binding supplier contract. To inform these appraisals, the EDT will maintain regular dialogue with the Subcommittees and Board of EMF, to whom the Evaluation Partner will report, as well as the other constituents of the Executive function (as covered in this section), whom the Evaluation Partner will be expected to work closely with in collating data and assessing progress and performance.

## Customs Site Operators

To contribute to the overall customs compliance of the customs site and ensure accountability for high standards of on-site security, each Customs Site Operator will be expected to conduct regular risk assessments of their site security measures (with support from the Risk & Compliance Manager and Security & Compliance Subcommittee as required), from which any matters of particular concern or material relevance may be included in the monthly risk reports, which are to be prepared by the Risk & Compliance Manager for discussion at each Board meeting. As part of their designation status, the CSO will be required to report any failures or breaches of the conditions provided in their designation order to HMRC. The purpose of the CSO reporting to the EMF risk & compliance manager is to ensure that the Board is aware of any breach of the designation order that is intended to be or has been reported to HMRC, in order to manage any potential reputational damage or risks to customs site designation status. It is not the responsibility of the EMF Board to identify or assess any instances of customs non-compliance.

Further details of these arrangements are detailed in Sections 4b, 5f and 5g of this FBC. Assuming that the Customs Site Operators will leverage their existing workforce to carry out their day-to-day duties, as has been considered at Section 5b. ii., the employees in question will be held to account by their manager within the organisation as normal, who will similarly work with the Subcommittees and Board of EMF to monitor and evaluate their performance relating to Freeport matters only.





## 5c. Stakeholder Management and Communications

EMF has developed a focused and robust stakeholder management and communications strategy, which aims to establish sustainable and inclusive partnerships with a broad array of external stakeholders and strengthen EMF's local and commercial offer. This strategy builds upon EMF's track record of close collaboration, breadth of representation and targeted inflows and outflows of information, which are fundamental principles pre-embedded into the Set Up structure through the cross-organisational Working Groups and joint private-public Board composition. Implementation of this strategy will be a long-term phased process that will commence in the Set Up Phase and continue through to Delivery, and it will be underpinned by a clear framework of objectives and enabling actions, as visualised below.

EMF will adopt a robust approach to stakeholder management and communications, working as set out below, and will also acknowledge existing marketing and comms relationships that member organisations have. This will involve close communications with partners and other organisations and a clear outlining of responsibilities to ensure no duplication of effort. The comms and stakeholder engagement approach will also be objective and audience-led, flexing the approach to suit the audience and objectives for each specific activity, whilst making sure appropriate resources are in place to ensure high quality outputs and performance based on best practice. These will be principles that will underline all stakeholder engagement, marketing and comms activities.

### 5c. i. External Stakeholder Identification and Engagement

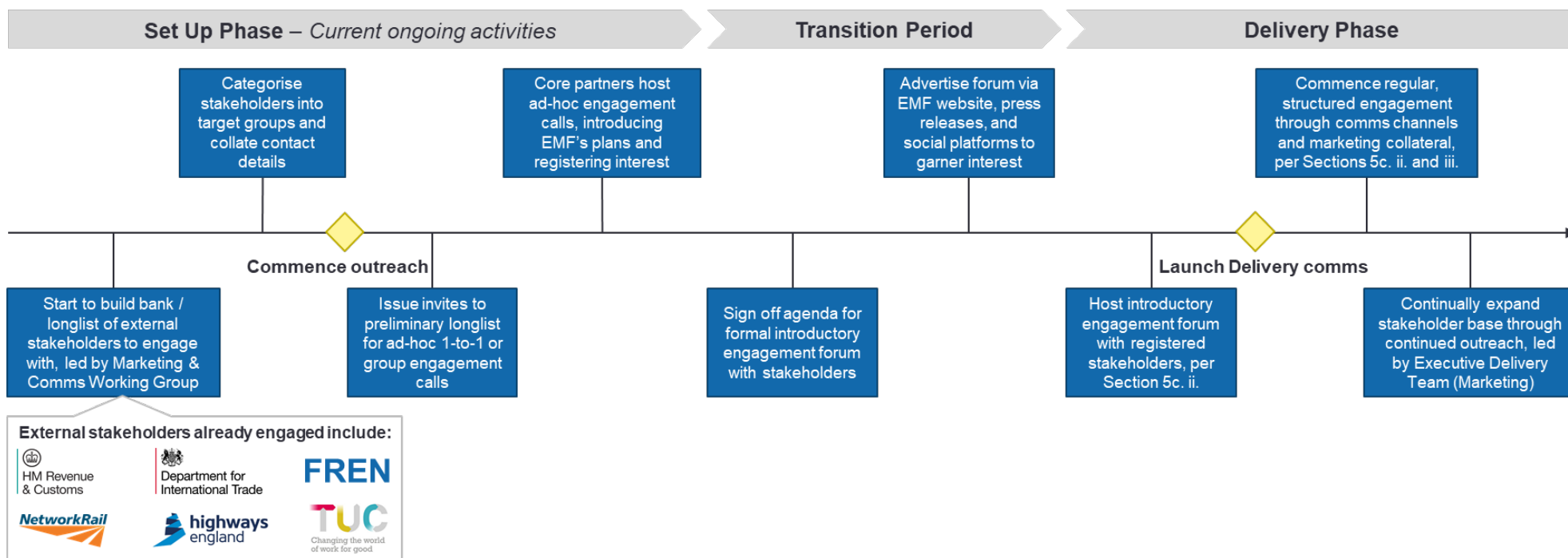
To ensure EMF's stakeholder engagement and communication approach is targeted and engaging to identified audiences, it is essential that EMF's external stakeholder base is effectively mapped and maintained alongside a detailed communication strategy. To achieve this, stakeholders have been categorised into distinct target groups, set apart by specific objectives of engagement and underlying stakeholders as shown. This categorisation approach translates directly into EMF's tailored communications and marketing strategy, whereby different communication channels and marketing materials will be deployed to different target groups, as set out in Sections 5c. ii. and iii.

#	Target Groups	Objectives of Engagement	Example Stakeholders
1	Potential Investors,	▶ To communicate the value proposition of the Freeport to potential benefactors.	▶ Potential investors

	<b>Occupiers and Innovators</b>	<ul style="list-style-type: none"> <li>▶ To secure inward investment to fund ongoing and future Freeport site developments, operations, supporting infrastructure and innovative proposals.</li> <li>▶ To attract new (not already East Midlands based), green and innovative logistics and manufacturing firms to operate in the Freeport, as well as support existing occupiers in utilising EMF's fiscal levers.</li> <li>▶ To explore joint R&amp;D opportunities with innovators such as regional universities.</li> </ul> <p><b>Engagement with potential investors and occupiers (both domestic and international) and responding to inward investment-related enquiries will entail a coordinated marketing approach with DIT and other investment support agencies / networks, as per Section 5c. iv.</b></p>	<ul style="list-style-type: none"> <li>▶ Potential (objective/policy aligned) site occupiers and existing site occupiers</li> <li>▶ DIT</li> <li>▶ East Midlands Chamber</li> <li>▶ British Chambers of Commerce</li> <li>▶ Midlands Engine and Connect</li> <li>▶ Marketing Derby / Nottingham</li> <li>▶ Invest in Leicester</li> <li>▶ Regional universities with R&amp;D in innovation</li> </ul>
2	<b>Employment Seekers, Providers and Unions</b>	<ul style="list-style-type: none"> <li>▶ To establish partnerships between site occupiers and potential skills and training providers.</li> <li>▶ To match local residents seeking employment with higher paid and higher skilled job opportunities offered by hiring site occupiers or appropriate skills and training providers.</li> <li>▶ To protect the interests of on-site employees and ensure their views are reflected in programme plans and decisions.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Local jobseekers</li> <li>▶ Local young people (both in and out of education)</li> <li>▶ DWP (Work Coaches, including Kickstart)</li> <li>▶ Trade unions</li> <li>▶ Higher and further education institutions (schools, colleges, universities)</li> </ul>
3	<b>Communities and Regional Bodies</b>	<ul style="list-style-type: none"> <li>▶ To keep local communities informed of programme plans and progress.</li> <li>▶ To communicate Freeport benefits designed for local residents, communities and businesses (not just large corporations).</li> <li>▶ To myth-bust any false claims or unfounded concerns relating to the programme, to reassure local communities of its true potential and positive intentions.</li> <li>▶ To respond to complaints received by the public, invitations to public events</li> <li>▶ To handle incoming requests</li> <li>▶ To communicate alignment between EMF and HMG's three overarching Freeport policy objectives.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Nearby residents</li> <li>▶ Local businesses</li> <li>▶ Regional MPs</li> <li>▶ Regional devolved government authorities (e.g. from county to parish level councils)</li> <li>▶ LEPs (e.g. D2N2, LLEP)</li> <li>▶ Local radio stations and journalists</li> </ul>
4	<b>Departments, Agencies and Public Bodies for reporting purposes</b>	<ul style="list-style-type: none"> <li>▶ To provide updates on progress, performance, risks and compliance (e.g. relating to customs operations and security) in line with EMF's external reporting obligations.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Ministerial departments (e.g. DLUHC, DIT)</li> <li>▶ Non-ministerial departments (e.g. HMRC, NCA, Border Force)</li> <li>▶ Agencies and other public bodies or departments whom EMF may or must report to (e.g. regional Police forces)</li> </ul>
5	<b>Non-Specific Stakeholders</b>	<ul style="list-style-type: none"> <li>▶ To keep the wider pool of non-specific stakeholders updated on programme plans and progress for their own interest.</li> <li>▶ More generally, to generate positive sentiment around the programme and to make the programme and the East Midlands more high-profile and commercially attractive.</li> </ul>	<ul style="list-style-type: none"> <li>▶ General enquirers</li> <li>▶ Non-specific consultation groups</li> <li>▶ Other interested parties</li> </ul>
<p><i>Some of the external stakeholders above may also be appointed to the Community Engagement Subcommittee (formerly the Engagement Network), as detailed in Section 5a. i.</i></p>			

Identification and origination of external stakeholders has already commenced at the Set Up Phase through the Marketing & Communications Working Group and will be an ongoing, perpetual process even as the programme enters the Delivery Phase. EMF's approach to identifying and originating stakeholders as registered and engaged parties of the programme, both currently at the Set Up Phase and going forward into the Delivery Phase, is set out in the timeline below.

### Stakeholder Identification and Origination Timeline



### 5c. ii. Communications Strategy

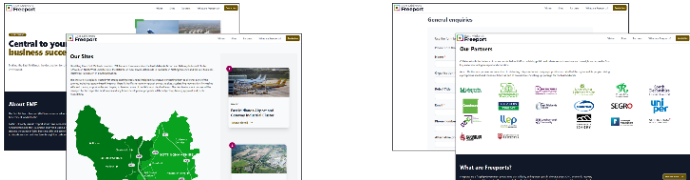

EMF will utilise a range of communication channels, each with varying launch dates and ongoing regularity, to engage with each of the stakeholder groups mapped in Section 5c. i. Different channels and forums have been matched to each target group based on their importance and appeal to the intended recipients as well as their relevance to achieving the objectives of engagement for that group, as set out below (in order of their planned deployment).

Communication Channels	Details / Features	Commence at Phase	Frequency once live / active	EMF Owner(s)	Target Groups per 5c. i.				
					1	2	3	4	5
<b>Interviews</b>	<ul style="list-style-type: none"> <li>EMF are currently (and will continue to be) open to receiving invitations to television, radio and podcast interviews to discuss the EMF programme.</li> <li>Appropriate representatives from the core EMF partner group will be directed to conduct interviews, subject to Board approval.</li> </ul>	Set Up (currently active)	At Board's discretion	Relevant core EMF partners	✓	✓	✓	✓	✓
<b>Social media accounts</b>	<ul style="list-style-type: none"> <li>LinkedIn and Twitter accounts will be launched, with set up administrated by the digital communications leads from the core EMF partner organisations until the Executive Delivery Team (Marketing) is appointed.</li> <li>EMF may expand to other platforms at the Delivery Phase depending on their perceived priority by the Executive Delivery Team (Marketing).</li> <li>Used to communicate news, events and progress updates, promote opportunities for inward investment and site vacancies to potential occupants, and advertise employment opportunities in the Freeport.</li> </ul>	Transition period	Ongoing updates	Executive Delivery Team (Marketing)	✓	✓	✓	✓	✓

<b>Press releases</b>	<ul style="list-style-type: none"> <li>▶ Key headline news and events pertaining to the EMF programme or the wider Freeport agenda will be published on the EMF Website post-designation.</li> <li>▶ Updates will also be sent to a mailing list of consenting external stakeholders.</li> </ul>	Transition period	As news / events unfold	Executive Delivery Team (Marketing)	✓	✓	✓	✓	✓
<b>Introductory engagement forum</b>	<ul style="list-style-type: none"> <li>▶ A live-streamed conference to communicate the successfully designated proposal to all stakeholders who have registered their interest in the programme, and to set out how EMF will engage with them going forward.</li> <li>▶ The forum will be uploaded onto the EMF website to be re-watched at any time.</li> </ul>	Delivery	One-time event	Core EMF partners	✓	✓	✓	✓	✓
<b>Board meeting invites</b>	<ul style="list-style-type: none"> <li>▶ Invitations to attend Board meetings in a spectator / feedback provider capacity and input into Board-level discussions with views and ideas.</li> </ul>	Delivery	At Board's discretion	Delivery Board			✓	✓	
<b>Subcommittee meeting invites</b>	<ul style="list-style-type: none"> <li>▶ Invitations to attend Subcommittee meetings in a spectator / feedback provider capacity and input into Subcommittee-level discussions.</li> </ul>	Delivery	At Board's discretion	Relevant Subcommittees			✓	✓	
<b>Progress reports</b>	<ul style="list-style-type: none"> <li>▶ Will summarise progress and performance against KPIs and HMG's three overarching Freeport policy objectives as required, following the programme-level M&amp;E Framework once it has been published by Government.</li> <li>▶ In addition to being directly issued to Government and other relevant authorities to whom EMF must report, these will be shared internally across the core EMF cohort.</li> </ul>	Delivery	Monthly	Evaluation Partner				✓	
<b>e-Newsletter</b>	<ul style="list-style-type: none"> <li>▶ Will include updates on progress and a bulletin of news and events relating to the EMF programme or the wider Freeport agenda.</li> <li>▶ Latest editions will be published on the EMF Website and emailed to a mailing list of consenting external stakeholders and enquirers.</li> </ul>	Delivery	Monthly	Executive Delivery Team (Marketing)	✓	✓	✓	✓	✓
<b>Mood surveys</b>	<ul style="list-style-type: none"> <li>▶ Will be issued to members and representatives of the local community to garner sentiment around the programme and obtain feedback from residents as developments progress.</li> </ul>	Delivery	Quarterly	Executive Delivery Team (Marketing)			✓		
<b>Public roundtables</b>	<ul style="list-style-type: none"> <li>▶ Regular forums for open and collaborative discourse and Q&amp;As with a host of external stakeholders, from members of the community to general enquirers.</li> <li>▶ Will be led by members of the core EMF partner group and supported by local MPs as a means of engaging with their constituents.</li> <li>▶ May be held in-person, as virtual webinars or in a hybrid format, subject to anticipated attendance.</li> </ul>	Delivery	Quarterly	Core EMF partners	✓	✓	✓	✓	✓
<b>Employment fairs</b>	<ul style="list-style-type: none"> <li>▶ Will be attended by hiring employers based within EMF and potentially in collaboration with other employment support agencies such as the DWP.</li> <li>▶ Will be held in local schools, colleges, universities and other public spaces.</li> <li>▶ Will intend to attract both young people and adults in the East Midlands region to apply for roles and/or training opportunities offered by these employers.</li> </ul>	Delivery	Ad-hoc	Core EMF partners		✓			
<b>Trade shows</b>	<ul style="list-style-type: none"> <li>▶ Will be attended by representatives from the core EMF partner group, with the aim of showcasing EMF's commercial offer and site vacancies to entice and establish positive relationships with potential investors and occupants.</li> </ul>	Delivery	Ad-hoc	Core EMF partners	✓				

### 5c. iii. Marketing Strategy

In tandem with ongoing communicative outreach, EMF will develop and publish an ever-expanding suite of compelling marketing collateral, as set out below. These will promote the vision and objectives of both the EMF programme and HMG's overarching Freeport agenda, set out how external partners can engage in the process and communicate the mutual benefits that can arise from such partnerships. In establishing a central hub of resources for external parties to explore, this will add a further layer of professionalism to EMF's public image, providing confidence that the proposal is structured, coherent and ultimately deliverable.

Marketing Collateral	Details / Features	Commence at Phase	Frequency once live / active	EMF Owner(s)	Target Groups per 5c i.				
					1	2	3	4	5
<b>EMF website</b> (emfreeport.com and .co.uk)	<ul style="list-style-type: none"> <li>Developed during the Set Up Phase and first launched in September 2021.</li> <li>Further content and media will be continually developed and added to the website to ensure it is kept up to date with the latest news and resources.</li> <li>Also provides a platform for submitting enquiries, which will be underpinned by a strict and robust enquiry management protocol, as per Section 5c. iv.</li> </ul> 	Set Up (currently active)	Ongoing updates	Executive Delivery Team (Marketing)	✓	✓	✓	✓	✓
<b>DLUHC Freeports website</b>	<ul style="list-style-type: none"> <li>'One stop shop' landing page and resource hub for UK Freeports, developed in partnership with DLUHC and other Freeports applying for designation.</li> <li>Per conversations already held, it is expected to include sections on HMG's Freeport policy/agenda, spotlight profiles on Freeports, 'good news' stories/updates on Freeports and other informative resources.</li> </ul>	Subject to DLUHC timelines (assumed late September 2021)	Ongoing updates	Executive Delivery Team (Marketing)	✓	✓	✓	✓	✓
<b>Targeted online ads</b>	<ul style="list-style-type: none"> <li>Tailored digital advertisements and banners on relevant/appropriate websites and online forums (e.g. social media) that will reach target audiences and communicate the key messages of the EMF programme.</li> </ul>	Delivery	Ongoing	Executive Delivery Team (Marketing)	✓	✓	✓	✓	
<b>e-Brochure</b>	<ul style="list-style-type: none"> <li>Will provide a detailed overview of the EMF programme, including opportunities and proposed outcomes, with reference to HMG's overarching Freeport policy aims.</li> <li>Will be professionally formatted and published on the EMF website, with updates to the material made as required.</li> </ul> 	Delivery	Updated as required	Executive Delivery Team (Marketing)	✓	✓	✓	✓	✓
<b>Webinar</b>	<ul style="list-style-type: none"> <li>EMF Launch Webinar to provide an understanding on EMF's benefits and opportunities for businesses and investors; to understand EMF's impact in local communities through job creation, infrastructure improvement, and inward investment as well as latest updates and Q&amp;As.</li> <li>Will be run virtually on Teams, with updates to the material made as required up to delivery date.</li> </ul>	Set Up (currently active)	One scheduled	Executive Delivery Team (Marketing)	✓	✓	✓	✓	✓

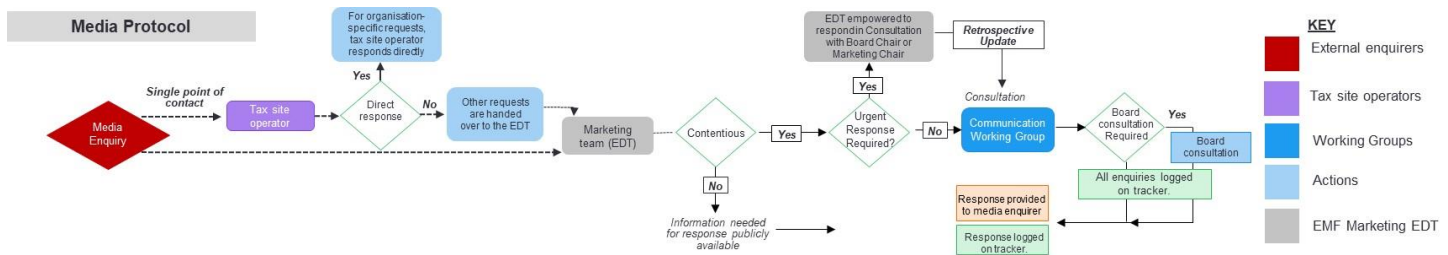
In addition to this external-facing material, the core EMF partners will all have access to an internal bullet point factsheet, which will be prepared and continually updated by the Executive Delivery Team (Marketing) and stored on the secure document platform alluded to in 5d.ii. This will cover the HMG Freeport agenda and summarise headline EMF matters such as the overarching vision, programme objectives and live progress against proposed outcomes, allowing the cohort to incorporate consistent messaging around EMF into their BAU activities. This will also support the core partner group in independently and competently responding to certain ad-hoc requests that are either not practical to put through the central enquiry management protocol set out in Section 5c. iv. below, or that they receive directly and need not share with the wider partner group. Such requests may include 'on the spot' queries directed to specific partner representatives in media interviews, as well as some operational or site-specific technical questions that do not require input from or discussion with EMF colleagues.

### 5c. iv. Central Enquiry Management Protocol

As shown below, EMF will adopt a strict ongoing protocol for managing, disseminating and responding to enquiries that are received centrally from external parties through the wide variety of submission channels outlined in the diagram. This protocol has been designed so that central enquiries are circulated to the core EMF partners of the relevant sites efficiently and at pace, with support available from the appropriate Subcommittees to ensure clarity and consistency in messaging, plus opportunities for wider collaboration with DIT and local investment networks to strengthen EMF’s handling of inward investment enquiries. This will be an ongoing, perpetual process that will be fully embedded at the Delivery Phase. This process will also consider the existing relationships and processes that some EMF partners have in place to support inward investment, working to ensure no duplication of effort and clear communication.

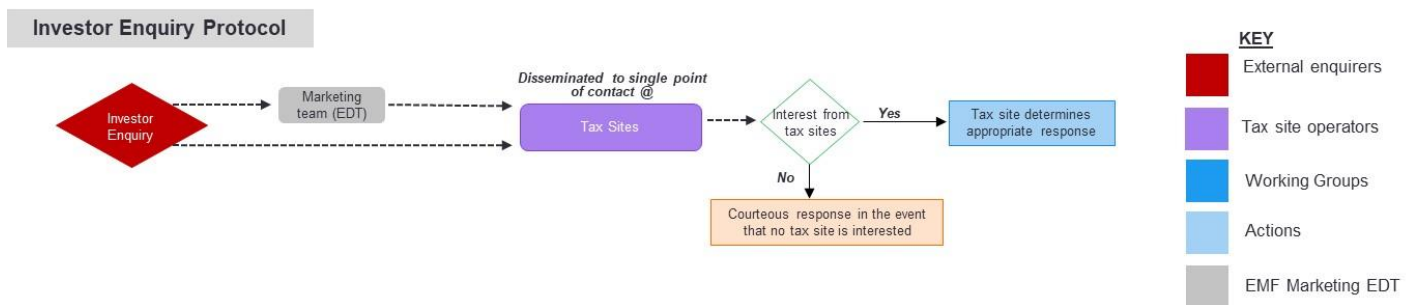
EMF’s enquiry management protocol will be split into two key activity streams, outlined below:

#### Media Enquiry Protocol



EMF will manage incoming enquiries from external stakeholders in a coordinated manner using resource from the Executive Delivery Team (5b.i). This will primarily be undertaken by the Marketing Manager, but supported by the Marketing, Comms and Investment subcommittee as required.

#### Investor Enquiry Protocol



EMF will manage incoming enquiries from potential investors and business operators in its tax and customs sites with the principles of fair competition and propriety whilst sustaining and accelerating the interest of the potential investor. Enquiries received will be directed to the EMF Marketing Manager and subsequently disseminated directly to each Tax and Customs Site Operator (in the case of an opportunity from a potential Freeport business operator) for their visibility and assessment. There will be no evaluation or determination performed on investor enquiries by EMFCo or the Executive Delivery Team; opportunities will be shared with all Landowners simultaneously and in identical terms and it will be incumbent on each Tax or Customs Site Operator to decide whether they wish to progress engagement directly. In the case of a Customs Site Operator, it will be their decision to agree to a prospective Business Operator operating within their site. If no engagement is warranted, the EMF Marketing Manager will inform the inquiring organization and thank them for their interest.

EMF’s Marketing Manager will also work closely with a variety of national and regional stakeholders, where potential investor enquiries may also be identified. This will include, but is not limited to, DiT, DLUHC, BEIS, East Midlands Chamber of Commerce and each Local Authority’s inward investment team.

The above investor enquiry protocol will be followed and constantly evaluated to ensure that it is serving the enquiring parties and ensuring fair competition between all of EMF’s tax and customs Site Operators. The process for receiving enquiries from and endorsing prospective customs site operators can be found in Section 4b. All enquiries and responses will be logged for future reference.

### 5d. Building Local Expertise

In the context of EMF, ‘capability’ encompasses the relevant knowledge, skills and resources (including human, financial and technological) that are required to effectively set up, deliver and maintain the Freeport, whilst ‘capacity’ refers to having sufficient quantities of and access to these tools and competencies when required. The EMF Board acknowledges that ensuring long-term, sustainable capacity and capability beyond 2021/22 will be fundamental to the successful implementation of the proposal and stable ongoing operation of the Freeport. In practice, EMF aims to uphold this standard and ensure the longevity of the programme by adhering to three key principles, as set out below.

### 5d. i. Financial sustainability and self-sufficiency

The first pillar aims to ensure that the EMF programme is adequately and sustainably financed in the potential absence of central government revenue funding beyond 2021/22, and thus over a longer-term timeframe. This principle intends to be upheld through the arrangements set out below, which will apply to both scenarios with and without further revenue funding from HMG in 2022/23 through to 2024/25.

The Lead Authority will finance all revenue costs specific to EMF, including but not limited to; Executive Delivery Team salaries, benefits and other expenses, IT support costs, administrative expenses relating to research and marketing, and other administrative and sundry expenses such as EMF event running costs.

Upon receipt of retained business rates, the Lead Authority will, each time, withhold the right to claim an appropriate first call upon these funds as full reimbursement for the operating costs that they are incurring in relation to EMF. Further details are included in Section 1d.

Further details of EMF’s financial self-sufficiency arrangements are set out in Section 3b of the Financial Case.

### 5d. ii. Upskilling and knowledge nurturing

The second pillar aims to ensure that EMF provides a platform for the continual development of its partners, harnesses all available information and expertise at its disposal and adopts an integrated solution to open and honest sharing of materials. This principle recognises that there are skills and expertise required in the immediate short-term horizon to expedite the Freeport’s initial set up, as well as an ongoing need to share and nurture knowledge as the programme advances into the Delivery Phase. EMF intends to deliver this in the following ways:

From now and into the Delivery Phase, EMF will continue to draw upon existing strategic oversight from DLUHC, and will consider leveraging further support from external consultants as appropriate, to assist with the upskilling of EMF partners. This may include, but will not be limited to, the provision of training sessions and explanatory materials covering technical matters relating to the customs sites, such as Customs Site Operator obligations, live operational requirements at each site and routes to optimising benefits.

Core EMF partners will be encouraged and given opportunities to undertake relevant training courses and attend Freeport conferences and events where there are identifiable benefits to partner capability and programme activities in doing so.

EMF will actively collaborate with other designated UK Freeports to share information, progress updates and sectoral insights, as well as to develop effective joint ways of working where synergies can be realised.

EMF will maintain its existing culture of openness and transparency in information sharing (where appropriate) between the core EMF partners, which has been a key driver for ensuring collaboration at the Set Up Phase.

Information and key materials will be stored on a secure document platform that all permitted EMF partners will be able to access and add to, preserving EMF’s knowledge bank and allowing partners to contribute to its expansion.

To ensure the programme remains in capable hands operationally, the Executive function’s performance will be appraised periodically by their respective employer or host body and with support from the EMF Board, ensuring all partners are adequately up to speed with their role, responsibilities and EMF’s ways of working.

Core EMF partners will be kept abreast of the latest programme activities through early receipt of all newsletters, progress reports and news alerts before they are made public and/or issued to the external stakeholder target groups per the marketing and communications strategy in Section 5c.

### 5d. iii. Medium to long-term strategic alignment

The third and final pillar aims to ensure that all stakeholders of EMF, from the core partner organisations to the wider directory of support networks and consultation groups, are continually aligned in their understanding of the vision, objectives and principles of the programme as well as the overarching approach to delivery. To ensure this, EMF plan to do the following:

At the beginning of the Delivery Phase, all programme partners comprising the Board, Subcommittees and Executive function will receive adequate training and briefing to ensure that they are knowledgeable of the proposal and its intended outcomes, and are clear on their responsibilities and expectations in delivering it.

Every year, EMF will hold an annual collaborative summit, bringing together all core and periphery EMF partners to review performance against KPIs, take stock of progress and resources, discuss ways of enhancing ongoing approach, processes and ways of working, and to refocus partners on the key principles, target outcomes and overarching vision of the programme.

## 5e. Milestones

Annex C sets out a detailed project plan for the delivery of the East Midlands Freeport, acting as a live document that forms a key pillar of EMF’s programme management framework. A summary of the key milestones under the core programme workstreams are set out below.

Key Milestones	
1. Business Case	
Start Date: Commenced   End Date: April 2022	
Key Milestones:	Key Interdependencies:
▶ Responses to OBC feedback – 31 <sup>st</sup> Oct 2021	

<ul style="list-style-type: none"> <li>▶ Submission of FBC – <b>14<sup>th</sup> April 2022</b></li> </ul>	<p>Progress made towards the FBC is dependent upon the feedback and guidance received from Government following the submission of the OBC.</p>
<b>2. Governance Set Up</b>	
<b>Start Date:</b> <i>Commenced</i>   <b>End Date:</b> <i>July 2022</i>	
<p><b>Key Milestones:</b></p> <ul style="list-style-type: none"> <li>▶ Finalise EMF Members Agreement and Articles of Association – <b>07 April 2022</b></li> <li>▶ Launch Tranche 1 of formal subcommittees – <b>25<sup>th</sup> April 2022</b></li> <li>▶ Assumed Formal Incorporation of EMF – <b>31<sup>st</sup> May 2022</b></li> <li>▶ Launch Tranche 2 of formal subcommittees – <b>27<sup>th</sup> June 2022</b></li> <li>▶ Recruit Executive Delivery Team – <b>July 2022</b></li> </ul>	<p><b>Key Interdependencies:</b></p> <p>Governance set up is dependent upon progress made in securing the designation of the Freeport, along with the necessary approvals from Government relating to the OBC and FBC.</p>
<b>3. Ratcliffe-on-Soar Site</b>	
<b>Start Date:</b> <i>Commenced</i>   <b>End Date:</b> <i>December 2030</i>	
<p><b>Key Milestones:</b></p> <ul style="list-style-type: none"> <li>▶ Conclude planning discussions with local authorities – <b>31<sup>st</sup> Dec 2022</b></li> <li>▶ Marketing of south site post LDO/planning – <b>1<sup>st</sup> Jan 2023</b></li> <li>▶ Secure landmark investment for Gigafactory – <b>30<sup>th</sup> Jun 2025</b></li> <li>▶ Complete site construction activities – <b>1<sup>st</sup> Jan 2026</b></li> <li>▶ Decommission power plant – <b>1<sup>st</sup> Mar 2026</b></li> <li>▶ Conclude initial redevelopment occupancy – <b>31<sup>st</sup> Dec 2030</b></li> </ul>	<p><b>Key Interdependencies:</b></p> <p>Transformation of the Ratcliffe-on-Soar site is reliant upon positive statutory consultee positions, redevelopment of the North of the site via a direct application under volumetric equivalence principles linked to power station demolition, use of an LDO with potential for direct application where desirable (or alternatively via a revision to the Local Plan) for the South redevelopment, and clarity on the nature and timescales of HMG coal closure policy.</p>
<b>4. EMAGIC Site</b>	
<b>Start Date:</b> <i>Commenced</i>   <b>End Date:</b> <i>August 2030</i>	
<p><b>Key Milestones:</b></p> <ul style="list-style-type: none"> <li>▶ Deliver Net Zero Speculative Unit at SLPEMG – <b>1<sup>st</sup> Oct 2021</b></li> <li>▶ Deliver build-to-suit facilities at SLPEMG with full site occupation – <b>31<sup>st</sup> December 2023</b></li> <li>▶ Deliver new buildings/facilities at East Midlands Airport – <b>1<sup>st</sup> August 2026</b></li> <li>▶ Deliver new buildings at East Midlands Airport &amp; SEGRO South – <b>1<sup>st</sup> August 2030</b></li> </ul>	<p><b>Key Interdependencies:</b></p> <p>Given that SLPEMG land is fully serviced and suitable for immediate construction of buildings, and East Midlands Airport land is covered by a permitted development, milestones are reliant on market demand for new facilities and clear articulation of benefits to attract site occupants. Milestones are also reliant on East Midlands Airport &amp; SEGRO South receiving requisite planning permissions from the local planning authority.</p>
<b>5. EMIP Site</b>	
<b>Start Date:</b> <i>Commenced</i>   <b>End Date:</b> <i>July 2025</i>	
<p><b>Key Milestones:</b></p> <ul style="list-style-type: none"> <li>▶ Conclude technical and design work to inform development proposals – <b>1<sup>st</sup> May 2022</b></li> <li>▶ Secure DCO from PINS – <b>1<sup>st</sup> Dec 2023</b></li> <li>▶ Deliver initial phase of infrastructure – <b>31<sup>st</sup> Dec 2024</b></li> <li>▶ Deliver initial build-to-suit facilities – <b>1<sup>st</sup> July 2025</b></li> </ul>	<p><b>Key Interdependencies:</b></p> <p>Development of the EMIP site is dependent upon timely ongoing engagement with existing external stakeholders including Network Rail, National Highways and Natural England as well as market demand for new facilities to successfully secure site occupants.</p>
<b>6. Infrastructure</b>	
<b>Start Date:</b> <i>September 2021</i>   <b>End Date:</b> <i>March 2024</i>	
<p><b>Key Milestones:</b></p> <ul style="list-style-type: none"> <li>▶ Transport Modelling – <b>30<sup>th</sup> Nov 2021</b></li> <li>▶ Connectivity Project completion – <b>31<sup>st</sup> Mar 2023</b></li> <li>▶ Launch Hydrogen Skills Academy – <b>1<sup>st</sup> Nov 2023</b></li> <li>▶ EM Road Improvements (A38/A50) – <b>31<sup>st</sup> Mar 2024</b></li> <li>▶ A50 Bridge Construction – <b>31<sup>st</sup> Mar 2024</b></li> </ul>	<p><b>Key Interdependencies:</b></p> <p>Infrastructure milestones are dependent upon the finalisation of proposed funding sources (including the provision of seed funding) along with the progression of necessary planning and procurement activities.</p>
<b>7. Compliance and Reporting</b>	
<b>Start Date:</b> <i>Commenced</i>   <b>End Date:</b> <i>Ongoing</i>	
<p><b>Key Milestones:</b></p> <ul style="list-style-type: none"> <li>▶ Commence reviews of SIA log at Board – <b>1<sup>st</sup> Oct 2021</b></li> <li>▶ Develop performance framework – <b>1<sup>st</sup> Nov 2021</b></li> </ul>	<p><b>Key Interdependencies:</b></p> <p>Customs compliance is dependent upon further clarity from Government on customs obligations so that Customs Site Operators can be confirmed alongside responsibility for compliance and reporting. Furthermore, details of specific reporting frameworks are dependent upon clarity on reporting requirements from Government.</p>
<b>8. Communications and Marketing</b>	
<b>Start Date:</b> <i>Commenced</i>   <b>End Date:</b> <i>Ongoing</i>	
<p><b>Key Milestones:</b></p> <ul style="list-style-type: none"> <li>▶ Launch EMF Website – <b>17<sup>th</sup> Sep 2021</b></li> <li>▶ Launch Delivery Phase communication channels and marketing collateral – <b>1<sup>st</sup> Apr 2022</b></li> </ul>	<p><b>Key Interdependencies:</b></p> <p>Some marketing activities are dependent upon the necessary support and engagement with DIT and local investment networks to ensure alignment with broader trade approaches.</p>

## 5f. Risk Management Strategy

The EMF Board has collectively defined risks as “possible events that could affect the ability to achieve EMF programme objectives.” Ensuring a comprehensive understanding of the risks surrounding the Freeport and developing practical mechanisms for managing these will be integral to EMF’s prosperity, as this will make for well-informed and dynamic strategic decision making, allow ongoing approaches and processes to be adapted based on real-time changes in the risk environment and allow ongoing threats to programme delivery to be effectively mitigated and continually monitored.

As visualised below, EMF’s risk management strategy involves actively identifying, assessing and mitigating risks across a range of categories that are central to the programme and may inhibit successful delivery, as well as risks at each tax and customs site which relate to security and illicit activity (SIA). Further details of EMF’s governance controls for managing SIA risks are included in Section 5g.

Economic	Seed Capital	Planning	Infrastructure	National Security
Operational	Legislative	Environmental	Security Management	Property and Personal Security
Financial	Governance	Socio-economic	Financial Crime	Movement of Goods

*Recorded in Risk & Issues Register (Annex D)*

**KEY:**

- Programme risks threatening delivery
- SIA risks (detailed further in Section 5g)

### 5f. i. Risk Management Principles

EMF’s risk management strategy is encapsulated by 3 key principles, as detailed below.

#### 1. Shared responsibility for managing risk, balanced with clear ownership and accountability

All core EMF partner organisations, Subcommittees and members of the Executive function, as set out in Section 5a, will be responsible for identifying, managing and mitigating risks to the Freeport that fall within their remit and/or have been assigned to resolve by the Board, recognising that everyone involved in the EMF programme is a custodian of risk.

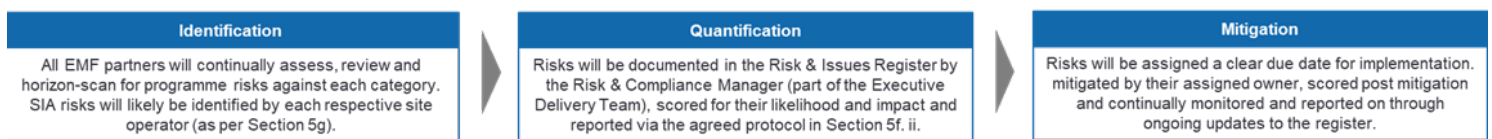
“Urgent and material risks”, as defined by the matrices below, will be elevated to the Board for discussion at Board meetings, allowing strategic decisions to be flexibly informed by the latest and most substantial risks, as well as providing Board oversight of both mitigating controls already in place and new mitigating actions being taken.

Expected Likelihood		Expected Impact	
The probability that the risk will materialise.		The extent of the risk’s detriment to the programme / threat to security.	
1	Very minimal chance of occurring (≈ 0 - 25% probable)	1	Very minimal or no impact on delivery / very minor security threat
2	Less than likely to occur (≈ 25 - 50% probable)	2	Minor impact on delivery / minor security threat
3	As likely as it is unlikely to occur (≈ 50% probable)	3	Noticeable impact on delivery / notable security threat
4	More likely than not to occur (≈ 50 - 75% probable)	4	Considerable impact on delivery / considerable security threat
5	Almost certain to occur (≈ 75 - 100% probable)	5	Significant (material) hindrance on delivery / critical security threat

**“Urgent and material”**

*Risks are considered urgent and material, so should be elevated to the Board, if their likelihood and impact scores are both ≥ 4.*

In practice, management of programme risks and SIA risks will adhere to three key steps, as set out below:



#### 2. Risk-aware decision-making, encouraging an appropriate appetite to risk

Risk assessments will directly feed into Board-level decision making to ensure subsequent actions are prudent and conversant with the latest risk environment, reiterating that risk management is an enabler of informed decision-making.

Risk management and appetite will be guided by the need to ensure the sustainable, secure and robust delivery of Freeport objectives.

#### 3. Transparency of information in managing risks

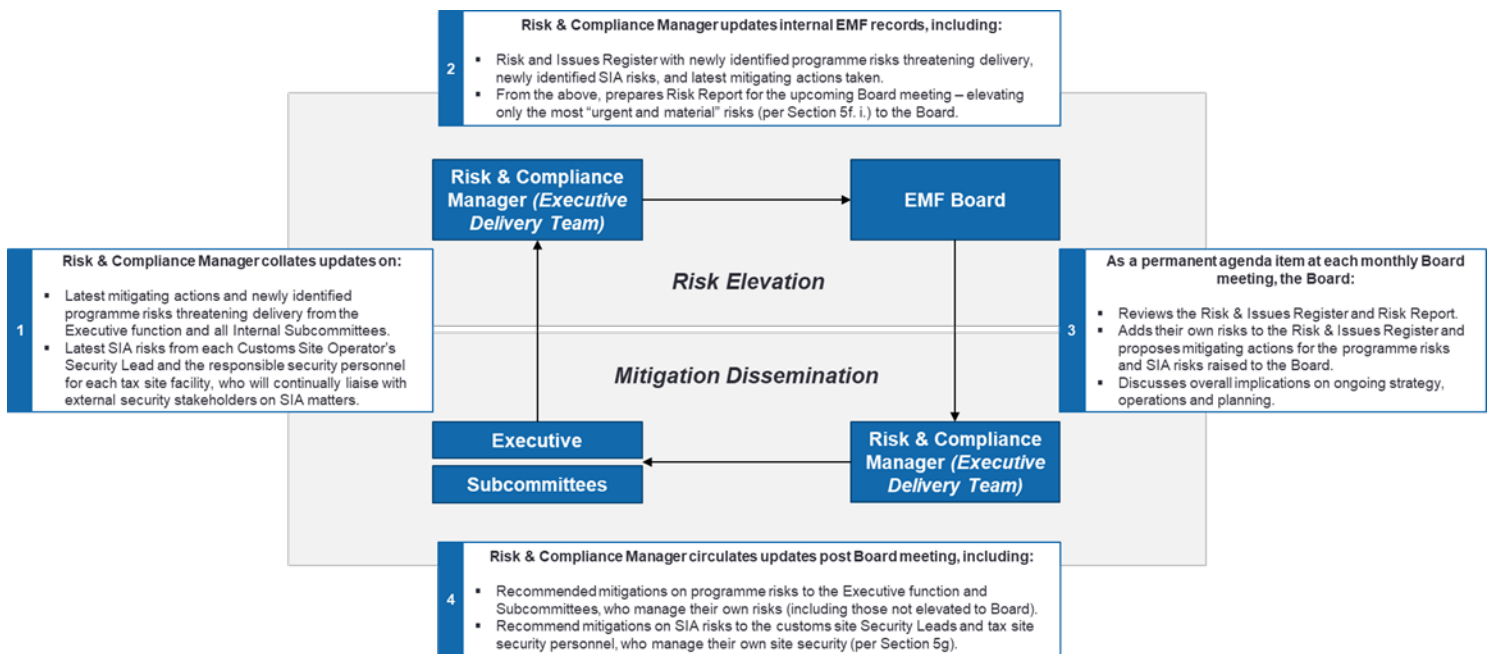
New risks will be continually identified and mitigated by all partners, and informed by day-to-day observations or occurrences at an operational programme level, which will be communicated across the cohort as appropriate.

Risks will also be fed into the central EMF Risk and Issues Register (Annex D) from the existing risk logs, risk assessments and risk management policies of the core partner organisations, therefore leveraging deep first-hand knowledge and experience of risks that are integral to several pertinent sectors, including customs, freight, logistics, power generation and security.

Populated using the risk categorisation and scoring above, a comprehensive Risk and Issues Register will be maintained centrally from this extensive suite of data and insight, acting as a readily accessible, up-to-date record of all programme risks threatening delivery and SIA risks.

## 5f. ii. Risk Management Protocol

As pictured, a robust and structured risk management protocol will be embedded within EMF’s governance structure, providing a continuation from the Set Up Phase to the Delivery Phase and supporting the continual flow of information across the cohort of partners on programme risks threatening delivery, SIA risks (detailed further in Section 5g) and mitigating actions. As part of its annual governance structure review, the Board will assess this protocol every year to ensure its continued effectiveness.



The EMF’s Risk and Compliance Manager will be responsible for collating and tracking identified risks and their proposed mitigations. The Risk and Compliance manager will work with the owners of each risk to outline mitigations, and set timescales for their implementation. These will be tracked through the risk register. Risks will be reviewed with the EMF Board at each meeting by exception; the most significant risks (those with a risk score of 16 or greater) and any new risks worthy of note.

## 5g. Security and Illicit Activity

### 5g. i. Security and illicit activity risk management

EMF benefits from considerable existing physical infrastructure relevant to the security requirements of the Freeport, with the potential to leverage robust security measures already deployed within East Midlands Airport, Uniper UK’s Ratcliffe-on-Soar site and Toyota’s EMIP site. In managing these risks, EMF commits to actively monitoring and mitigating security and illicit activity (SIA) risks across five categories, as set out below. These are incorporated into EMF’s Risks and Issues Register, which has been supplied at Annex D. Further information to EMF’s approach is provided in Annex B.

Security Management	National Security	Property & Personal Security	Financial Crime	Movement of Goods
<ul style="list-style-type: none"> <li>• Understanding of security obligations at tax and customs sites</li> <li>• Governance arrangements and protocols around security and illicit activity</li> </ul>	<ul style="list-style-type: none"> <li>• Chemical, biological, radiological and nuclear (CBRN) threats</li> <li>• Terrorism</li> <li>• Public disorder and domestic extremism</li> <li>• Electronic or cyber threats</li> </ul>	<ul style="list-style-type: none"> <li>• Premises and buildings</li> <li>• Sabotage</li> <li>• Arson</li> <li>• Personal security</li> <li>• Personnel (recruitment)</li> </ul>	<ul style="list-style-type: none"> <li>• Theft</li> <li>• Fraud</li> <li>• Tax evasion</li> <li>• Insider threat (from internal staff)</li> </ul>	<ul style="list-style-type: none"> <li>• Smuggling and unauthorised movement of goods</li> <li>• Illegal, prohibited and restricted items</li> <li>• Trade in counterfeit items</li> <li>• Money laundering</li> <li>• Human trafficking</li> <li>• Fraudulent or inaccurate customs declarations</li> </ul>

EMF’s approach to managing the risk of security and illicit activity is to recognise that, on an operational basis, many risks will be managed by individual organisations (such as security at the customs sites being managed by the respective Customs Site Operators), therefore requiring a holistic approach that oversees risk across the Freeport as a whole. For the customs sites, each Customs Site Operator will have a Security Lead for the purposes of the Freeport, who will be nominated once the Customs Site Operators are confirmed. Each Security Lead will act as a designated point of contact who will:

Coordinate with the Risk & Compliance Manager within the Executive Delivery Team on matters of customs site security, including initial set up, implementation, and ongoing checks of security infrastructure and preventative controls to ensure they are always operating effectively.

Help to facilitate annual external security audits with Government for their respective customs site.

Sit on the Security & Compliance Subcommittee, as detailed in Section 5g. ii., allowing them to directly liaise with the Board and external support agencies on matters of security and illicit activity as required.

Actively identify and monitor SIA risks as part of EMF’s risk management protocol, as detailed in Sections 5f and 5g. ii. This will involve continually feeding SIA risks and mitigations to the Risk & Compliance Manager, who will update the the Risk and Issues Register (Annex D) and prepare a supporting Risk Report for each monthly Board meeting.

Conduct proactive monthly risk assessments of their customs site security measures, with data collation support provided by the Evaluation Partner and ad-hoc oversight provided by fellow Security & Compliance Subcommittee members. Material matters from these assessments which require Board attention will be fed into the aforementioned monthly Risk Report by the Risk & Compliance Manager.

As leading models of compliance and in building off existing security approaches, East Midlands Airport, Uniper UK and Toyota will utilise their practical expertise in managing security infrastructure and meeting HMRC, APHA and Border Force requirements to champion and disseminate security best practice across EMF. As representatives of EMF, the Security Leads and members of the Security & Compliance Subcommittee will also regularly liaise with other designated Freeports in the UK to share and explore optimal approaches to managing and monitoring security, therefore promoting collaboration and uniformity across the portfolio of UK Freeports.

In managing and monitoring the flow of goods, EMF intends to develop a bespoke inventory linking system fitting with the customs and security requirements of the CSO designation that may not be met by existing solutions. The intention is that a bespoke system may be offered to individual customs sites, which EMF views will allow for a more coordinated and harmonized approach to managing the customs and security requirements across Freeport customs sites. Initial discussions with HMRC and a system developer are underway in order to develop a compliant inventory system. In recognizing that prospective CSOs may wish to acquire their own inventory linking systems, EMF has requested detail on the intention to meet the requirement to obtain an inventory linking system as part of its information request to prospective CSOs (please see Section 4b for more detail). Individual customs sites will then be required, as part of the process for customs site designation, to meet HMRC’s security requirements for operating a customs site.

Whilst each tax and customs site will be responsible for managing its own security, EMF will endeavour to adopt common SIA risk management standards across the Freeport where appropriate, whereby monthly risk assessments will be conducted at each customs site and periodic evaluations will take place in other key areas within the Outer Boundary as required. Where appropriate, EMF will also continually explore options for voluntary enhanced standards and accreditations to further strengthen EMF’s excellence in matters of security and risk management.

Additional information pertaining to security and illicit activity, including an extract of the SIA risks currently logged in the Risk and Issues Register as well as next steps to be actioned at the FBC stage, have been supplied at Annex B.

## 5g. ii. Governance around security and illicit activity

Robust governance structures will be put in place at the Delivery Phase to oversee preventative and mitigative actions against security threats and illicit activity across the Freeport, support the implementation and maintenance of necessary security infrastructure and provide a central platform for engaging a wide array of security stakeholders.

The Security & Compliance Subcommittee will be formed at the Delivery Phase to provide ad-hoc technical advice to the Board and members of the Executive function as required, as well as directly carry out delegated Board responsibilities where authorised. The subcommittee will include stakeholders from across the EMF’s public and private sector spectrum. It will include representation from all landowners within EMF’s tax sites and, once appointed, Customs Site Operators.

Crucial to this subcommittee and to EMF’s governance around security will be close working with the East Midlands Airport. They will be a key member of the Security & Compliance subcommittee, which will be engaged in tracking and mitigating risks from a security & illicit activity perspective. EMF understands that East Midlands Airport already have robust systems, protocols and other mitigations in place to tackle any security threats, and will only seek to complement these existing provisions. The Security & Compliance subcommittee will draw in partners across all of EMF’s Tax Sites, to ensure robust governance is applied and mitigations discussed to any security threats that result from Freeport activity – whilst ensuring no duplication of effort from existing provisions.

EMF has also engaged regional law enforcement representatives, who have contributed to EMF’s risk assessment, governance arrangements and who will also form key members of the Security & Compliance subcommittee. This will enable the Freeport to integrate its security and risk assessment arrangements with other regional arrangements, providing a regional view to EMF’s security governance.

The Security & Compliance Subcommittee will provide specialised support in the following areas in relation to the customs sites:

- ▶ Initial set up, management and maintenance of IT systems and software.
- ▶ Ensuring compliance across the Executive function with all applicable treaties, policies and regulatory codes that EMF is obligated to fulfil, either by law or expectation. This includes the OECD Code of Conduct for Clean Free Trade Zones and the Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017.
- ▶ Implementation, upkeep, and monthly risk assessments of physical, personnel and cyber-security infrastructure, as well as support in facilitating annual external security audits conducted with Government.
- ▶ Identification, monitoring and mitigation of programme risks affecting delivery as well as SIA threats and incidents per Section 5g. i.
- ▶ Engagement with both local and national security stakeholders, including but not limited to HMRC, Border Force, Home Office, BlueLight Commercial and regional police forces, with whom communications have already commenced. Further information such as specific points of contact, ways of working and details of engagement with these external bodies will be provided at the FBC stage.

As referenced, risk will be a standing agenda item at monthly Board meetings, with particular focus applied to SIA risks, which will be documented in the Risk and Issues Register (Annex D) and highlighted in the Risk Report for the Board if deemed “urgent and material” (per Section 5f. i). Overall, this will ensure that the relevant governance bodies are sighted on substantial SIA matters and can recommend appropriate responses to any significant threats or breaches. Formal holistic evaluations of the EMF programme’s risk management protocol will also take place on a yearly basis as part of EMF’s annual governance review, to ensure EMF’s approach to managing and mitigating both programme risks and SIA risks remains optimally effective.

### 5g. iii. Letters of commitment

A letter committing the Board and Customs Site Operators to annual security audits and countering illicit activity has been supplied at Annex H.

## 5h. Monitoring & Evaluation

DLUHC have appointed an external provider for Monitoring and Evaluation, a coalition of partners led by Arup. The provider has produced an initial draft Indicator List, against which EMF will be expected to report. EMF has provided feedback as to the draft indicator list, and awaits an updated version alongside a fuller M&E framework. This is expected in early Summer of 2022.

One key aspect of EMF’s compliance with DLUHC’s M&E requirements is the way in which reporting will be approached. This will be a key requirement of the externally contracted Evaluation Partner’s responsibilities and will be outlined at the procurement and contracting stage (outlined in 5b.i). Reporting to Government will be a cross-EMF activity, led by the Evaluation Partner, across multiple subcommittees. Primarily, this will include:

- ▶ Innovation & Net Zero: working with key stakeholders involved in the delivery of EMF’s Innovation strategy and Net Zero objectives, understanding progress, challenges and other items required to report to Government.
- ▶ Regional Economic Growth: working with key stakeholders to understand and evidence EMF’s impact on the region’s economy.
- ▶ Sites & Infrastructure: working with key stakeholders to report infrastructure project delivery and activity progress on tax and customs sites.
- ▶ Security & Compliance: working with key stakeholders to report to Government around EMF’s compliance with regulatory standards and DLUHC (& OGD) requirements.

Reporting will be fed into by the above subcommittees and the EMF Board as required. However, ultimately the Evaluation Partner will be operating on contractual terms that ensures they are independent and will be reporting against indicators that cover activities by individual partners across EMF’s governance structure. This means their reporting to Government will be unbiased and DLUHC can be assured that EMF’s M&E reporting will be in line with expectations, including those still to be determined.

Further responsibilities for meeting the DLUHC M&E and reporting requirements will be carried out by the appointed Evaluation Partner, appointed to the Executive Delivery Team (outlined in 5b.iii). Further guidance is expected from Government in due course as to the nature of these responsibilities.



# 6

# Annexes

## **Annexes**

*Annexes attached in separate document*



0

# Overviews of Revisions

## Section 0. Overview of Revisions

### 0a. Actions downgraded from critical

OBC SECTION	ACTION	ACTION TAKEN IN FBC
1. <b>STRATEGIC (Critical Action 1)</b>	<p>The FBC should:</p> <ol style="list-style-type: none"> <li>Set out how risk of delay to delivery timescales for the Ratcliffe-on-Soar and EMIP sites will be managed, whether delivery of any parts of the site could be accelerated (as alluded to in the critical action response), and the specific construction activities planned on each.</li> <li>Provide further detail on the plan for a Gigafactory at Ratcliffe-on-Soar.</li> <li>Provide further detail on how retained business rates will be used to mitigate the impact of displacement (as part of the more detailed statement of how retained rates will be utilised).</li> </ol>	<ol style="list-style-type: none"> <li>Addressed throughout the strategic and commercial case (site delivery), through the project plan, and in Annex X.</li> <li>Addressed within Sections 1f and 2b.</li> <li>Detail on mitigating displacement has been added to page 33 of the strategic case and can also be found within the economic case.</li> </ol>
2. <b>STRATEGIC (Critical Action 2)</b>	<p>The FBC should set out in detail the target end state for the relationship between the East Midlands Freeport and Development Corporation and the timescales and process for reaching it. This should set out how a high level of alignment will be achieved and the option merger between the Freeport and Development Corporation should be explored.</p>	<p>EMF alignment with the DevCo is covered within Section 1a and 5a.iii. of the FBC (pages 88 – 89).</p>
3. <b>STRATEGIC (Critical Action 3)</b>	<p>The FBC should:</p> <ol style="list-style-type: none"> <li>Set out more clearly how the Hydrogen Training Academy (HTA) will be funded.</li> <li>Demonstrate that deprioritisation of the National Skills Academy project will not adversely impact the ability of the Freeport to deliver its regeneration and job creation ambitions.</li> </ol>	<p>Both comments are addressed in detail within Section 1d, the Financial Case, and Annex Y – project profiles.</p>
4. <b>ECONOMIC (Critical Action 4)</b>	<p>The FBC will need to base the Economic Case on a robust modelling of expected transport benefits of the specific projects being funded (rather than historic examples).</p>	<p><i>Pages 50-54</i></p> <p>Section on Transport Benefits added to the FBC Economic Case that sets out an overview of the transport modelling work carried out to date, including model inputs and assumptions, congestion impact and identifying a mitigation package. This section also acknowledges the complexity of quantifying transport benefits, with reference to the Logic Model and sensitivity testing that has been carried out, noting the need for further work after the Business Case stage.</p>
5. <b>COMMERCIAL (Critical Action 4)</b>	<p>Work on the Tax Site Framework should continue at pace, including on the following areas (which should be captured in the FBC):</p> <ol style="list-style-type: none"> <li>Specifying in greater detail the exact terms of the landowner and tenant codes of conduct, including the commitments landowners will be required to make on how tax site land will be used (e.g., a</li> </ol>	<p>Section 4a includes detail of the tax site delivery framework. Further detail of the tax site framework can be found in Annex Z, which provides detail on landowner / tenant code of conduct, additionality, and enforcement levers.</p>

	<p>commitment to a minimum % being dedicated to investments that pass the gateway review).</p> <ol style="list-style-type: none"> <li>Defining how the additionality test will work in practice.</li> <li>Providing a comprehensive list of the enforcement levers the Board will be able to deploy, the process/conditions for doing so, and mapping to whom the levers apply (i.e., end users or landowners). This will need to include an assessment of the feasibility of local authorities withholding business rates relief.</li> </ol>	
6. <b>COMMERCIAL (Critical Action 5)</b>	The FBC should provide evidence of commercial demand for the land added to the EMAGIC tax site (SEGRO South).	Detail provided in Section 4a. i., with reference to ongoing discussions with development partners and local planning authority.

## 0b. Substantive actions

OBC SECTION	ACTION	ACTION TAKEN IN FBC
7. <b>STRATEGIC</b>	<p><b>INNOVATION</b></p> <p>The FBC should:</p> <ol style="list-style-type: none"> <li>Include more detail on national innovation strategies the Freeport activities will link into and how it will help deliver them.</li> <li>Detail the businesses involved in the Freeport's innovation work beyond the large players.</li> <li>Clarify how projects in the pipeline will help deliver the Freeports' innovation objectives.</li> <li>Expand on how the Freeport will act as an enabler for new technologies and services and will use its convening power to do so.</li> </ol>	<ol style="list-style-type: none"> <li>Annex L provides detail on how EMF's innovation strategy aligns with existing local and national innovation initiatives. This can be found in Section 2 of Annex L on pages 36 – 37 of the Annexes.</li> <li>The stakeholders / businesses involved in the Freeport's innovation work are detailed on pages 37 / 38 of Annex L.</li> <li>The relationship to target sectors has been clarified in Annex L, with a more detailed reference to the Hydrogen Skills Academy included in section 6 of the Annex.</li> <li>Pillar three of the innovation strategy – strengthening regional innovation capacity and promotion details how emf can help contribute to a collective response to national and global needs for new innovative technologies (page 22 of FBC).</li> </ol>
8. <b>STRATEGIC</b>	<p><b>TRANSPORT</b></p> <p>The FBC should clearly set out the planned transport works, including:</p> <ol style="list-style-type: none"> <li>What works our required</li> <li>Where they will take place</li> <li>How they will interact with the existing network and what work has occurred to date with operators of the existing network</li> <li>The extent to which the Freeport is reliant on the large transport infrastructure works referenced and what the impact would be if any of these schemes were not ultimately implemented.</li> </ol>	Provided in detail in the Economic Case from pages 50 – 54.
9. <b>STRATEGIC</b>	<p><b>SKILLS</b></p> <p>The FBC should include:</p> <ol style="list-style-type: none"> <li>A full analysis of the current local labour market in terms of skills levels and existing skills gaps; the evidence</li> </ol>	<ol style="list-style-type: none"> <li>Annex K includes a detailed current labour market analysis drawing on local skills reports in the region to identify major skills gaps priorities. This can be found on pages 44 – 46 of Annex K.</li> <li>The expected job creation, including a breakdown of expected direct and indirect / induced jobs for each site within the Freeport is provided on pages 48 – 49</li> </ol>

	<p>base used should be cited (e.g., SAPs and other labour market reports).</p> <ol style="list-style-type: none"> <li>2. A full analysis of the skills level, role types, and delivery timescales of the jobs the Freepport is expected to create and the ability of the local labour market to meet this demand/any skills shortfalls that are likely to result.</li> <li>3. Additional narrative explaining how East Midlands Freepport plans to involve employer representative bodies (including Chamber of Commerce) in the delivery of skills activities. This should align with DfE's Local Skills Improvement Plan.</li> <li>4. Detail on how the Freepport will support the labour market transition to net zero through investment in skills.</li> <li>5. References to how the FBC aligns with the Green Jobs Taskforce report.</li> </ol>	<p>of Annex K. The ability of the local labour market to meet this demand has been included on page 49.</p> <ol style="list-style-type: none"> <li>3. Engagement with local employment support and education market is provided on page 49 of Annex K.</li> <li>4. Detail on how EMF will support the transition to net zero is included under the subsection 'ability of local labour market to meet increased labour demand.'</li> <li>5. References to how the FBC aligns with the Green Jobs taskforce report is included under the 'ability of local labour market to meet increased labour demand' subsection.</li> </ol>
<b>10. STRATEGIC</b>	<p><b>TRADE AND INVESTMENT</b></p> <p>The FBC should provide further details on how the complex network of local stakeholders will be engaged and their buy-in ensured.</p>	Annex K provides a detailed overview of the stakeholder landscape, strategic alignment, and stakeholder support overview.
<b>11. ECONOMIC</b>	<p>The FBC economic case should:</p> <ol style="list-style-type: none"> <li>6. Provide more information on how the judgements on the qualitative benefits were approached and give a brief explanation of why these judgements were arrived at.</li> <li>7. Set out in more detail how the tax incentives close viability gaps on the proposed sites and/or target sectors.</li> <li>8. Set out any logic/evidence on promoting exports in more depth.</li> </ol>	<ol style="list-style-type: none"> <li>5. <i>Pages 54-55</i> Clarification added to the Qualitative Benefits Appraisal section explaining the scoring system and how this has been applied.</li> <li>6. <i>Pages 45-46</i> Section added to the Macroeconomic Impacts that sets out existing viability gaps and how these will be addressed by the Freepport tax incentives.</li> <li>7. <i>Pages 47-48</i> Section added to the Macroeconomic Impacts that sets out the expected impact of the Freepport on trade throughput, including a literature review on increased exports as well as references to EMAGIC's global air and rail freight connectivity, the Logic Model and the Trade and Investment Strategy.</li> </ol>
<b>12. MANAGEMENT</b>	<p><b>SECURITY</b></p> <p>The FBC should set out how Freepport security arrangements will compliment and build on current airport security provisions.</p>	<p>Addressed in Section 5g.ii. with specific reference to EMA security provisions.</p> <p>Further detail can also be found within EMF's RACI (within Annex J).</p>
<b>13. MANAGEMENT</b>	<p><b>NET ZERO</b></p> <p>The FBC should set out where the responsibility for the managing and monitoring of Net Zero goals will sit in the governance arrangements.</p>	<p>This is set out as part of the evaluation partner responsibility.</p> <p>Further detail can also be found within EMF's RACI (within Annex J) – with specific reference to EMF's Innovation &amp; Net Zero subcommittee.</p>
<b>14. MANAGEMENT</b>	<p><b>TRADE AND INVESTMENT</b></p> <p>The FBC should include a Freepport trade and investment team structure, defining roles and</p>	This is largely covered in Annex K, but reference is made within the Management Case to the overall team structure (Section 5b).

	<p>responsibilities, detailing how the Freeport will operate to drive trade and investment activities once implemented.</p>	<p>Further detail can also be found within EMF's RACI (within Annex J) – with specific reference to EMF's Marketing, Comms and Investment and Regional Economic Growth subcommittees.</p>
<p><b>15. MANAGEMENT</b></p>	<p><b>INNOVATION</b></p> <p>The FBC Management Case should include more detail on how private stakeholder involvement with respect to innovation will be managed and included in the governance structure.</p>	<p>This is covered within Annex L, which aligns with detail in the Management Case on meaningful partnership with the private sector (ref 5ai iv., page 89).</p> <p>Further detail can also be found within EMF's RACI (within Annex J) – with specific reference to EMF's Innovation &amp; Net Zero subcommittee.</p>

