

**CITY OF NOTTINGHAM AND NOTTINGHAMSHIRE ECONOMIC PROSPERITY
COMMITTEE – 30 MARCH 2021**

Subject:	Regional Economic Issues	
Presenting authority / representative:	Nottingham City Council Chris Henning, Corporate Director, Development & Growth	
Report author and contact details:	Peter Davies-Bright, Economic Programmes Manager peter.davies-bright@nottinghamcity.gov.uk	
Key Decision <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Subject to call-in <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Value of decision: £0	<input type="checkbox"/> Revenue <input type="checkbox"/> Capital	
Authorities affected: All	Date of consultation with relevant authorities:	
Summary of issues (including benefits to citizens/constituent authorities):		
<p>In his recent Budget statement (3 March 2021), the Chancellor of the Exchequer announced a series of measures that steer the direction of local economic development in the UK. These include: the Levelling Up Fund; the UK Community Renewal Fund; and Freeports.</p> <p>This report sets an overview of these announcements in order to facilitate a common understanding of the opportunities opened up through the Budget, including the potential for collaboration across authorities.</p>		
Exempt information: None		
Recommendation(s): <p>To note and discuss the contents of this report.</p>		

1 Reasons for recommendations

- 1.1 To enable EPC members to reach a shared consensus on how to move forward in response to the Budget announcements.

2 Background (including outcomes of consultation)

- 2.1 In his Budget statement of 3 March 2021, the Chancellor of the Exchequer made a series of announcements that reset the local economic growth funding agenda in the UK. Principally, these are as follows:

Levelling Up Fund

- 2.2 The Levelling Up Fund aims to invest £4.8bn (£4bn in England, £800m in the devolved nations) in high value local infrastructure over the next four years, focused on three priorities: transport schemes; urban regeneration; and cultural and heritage assets.
- 2.3 The Fund will involve a process of competitive bidding open to all local authorities. It is calling for shovel-ready proposals of up to £20m (£50m by exception for large transport schemes only). Proposals may consist of a single project or a package of multiple projects, but package bids must represent a coherent and aligned set of interventions.

- 2.4 Submission deadline for Round 1 is 18 June 2021, and successful bids will be expected to start spend in 2021/22. (Subsequent rounds will be announced later.)
- 2.5 Local authorities can submit one bid for every MP whose constituency lies wholly within their boundary. Every local authority can submit at least one bid. Where an MP's constituency crosses multiple local authorities, local areas will be expected to devise local solutions.
- 2.6 Funding is based on an index of need, with a focus on Category 1 places. There are 123 Category 1 places nationally, in Nottinghamshire these are Bassetlaw, Mansfield, Newark and Sherwood, and Nottingham City. Areas in Categories 2 and 3 will need to demonstrate much stronger benefits and impacts, but Category 1 status does not guarantee funding due to the competitive nature of the bidding process.
- 2.7 Bids will be scored on strategic fit, value for money, deliverability and place characteristics. They will be expected to have a 'visible impact'.

Community Renewal Fund

- 2.8 The UK Community Renewal Fund (UKCRF) has been allocated £220m in 2021/22 for pilot programmes. It calls for local areas to pilot innovative approaches in preparation for the post-EU Shared Prosperity Fund (£1.5bn), which will be launched in 2022. The fund will focus on four priorities: skills; business support; communities and place; supporting people into employment.
- 2.9 Each place is able to bid for up to £3m from UKCRF. For the purpose of UKCRF, 'places' are defined at the district, borough or unitary scale.
- 2.10 To ensure funding reaches the most in need, 100 priority places have been identified and a lead authority identified for each place. In Nottinghamshire, the priority places are Bassetlaw, Mansfield, Newark and Sherwood, and Nottingham City. Priority places have each been awarded £20k capacity funding, but the competitive nature of the bidding process means that funding is not guaranteed for these places.
- 2.11 Lead authorities will coordinate, appraise and submit bids to Government by 18 June 2021. The assigned lead authorities in Nottinghamshire are Nottingham City and Nottinghamshire County. District authorities will need to work with Nottinghamshire County in order to bring forward bids for their areas.

Freeports

- 2.12 The East Midlands Freeport was one of eight successful bids announced in the Budget, and the only inland freeport in England. Freeport governance arrangements now need to be confirmed with Government (see Appendix A) and a detailed business case will need to be submitted.

Local Enterprise Partnership

- 2.13 The Levelling Up Fund and UKCRF will be administered through local authorities rather than Local Enterprise Partnerships (LEPs), representing a significant shift in Government policy towards local economic growth funding from the past ten years.
- 2.14 The Government is reviewing role of LEPs and the review should be published this summer.

3 Other options considered in making recommendations

- 3.1 Do nothing. This was rejected as failure to discuss and coordinate would likely lead to less Government funding be attracted to the area.

4 Financial implications (including value for money/VAT)

- 4.1 None

5 Legal and Procurement colleague comments (including risk management issues, and legal, crime and disorder act and procurement implications)

- 5.1 None

6 Social value considerations

- 6.1 None

7 Equality impact assessment (EIA)

Has the equality impact been assessed?

- (a) not needed (report does not contain proposals for new or changing policies, services or functions, financial decisions or decisions about implementation of policies development outside the Council)
- (b) No
- (c) Yes – Equality Impact Assessment attached

An EIA is not required because the report does not contain any changes to policy.

8 List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)

- 8.1 None

9 Published documents referred to in this report

9.1 Levelling Up Fund prospectus (click [here](#))

9.2 UK Community Renewal Fund prospectus (click [here](#))

9.3 Alchemy Project briefing note – published in D2N2 Board documents (March 2021), attached at Appendix A (below)

**The Alchemy Project – Development Corporation
Briefing Note – March 2021**

Introduction

1. This briefing note will take the form of an end of year report. It is the culmination of a series of regular progress updates provided to the D2N2 LEP Board in relation to the East Midlands Development Corporation (EMDC) Programme. The report provides a review of the deliverables over the financial years 2019/20 & 2020/21 and an explanation of the transitional arrangements for the formation of EM DevCo Ltd.
2. In February 2019 the Government signed off £2 million in funding, to be split equally across 2019/20 & 2020/21. The funding was for the purpose of undertaking work, including the development of a business case, for the establishment of a body to deliver regional ambitions for inclusive growth, with a particular focus on Toton and Chetwynd (around HS2 proposed Hub Station); East Midlands Airport Area; and Ratcliffe-on-Soar power station. Strong local stakeholder engagement was essential throughout the process. This was formalised through the establishment of an Oversight Board, now known as the Alchemy Board, chaired by the Chair of the Midlands Engine which includes key stakeholders; and a representative Executive Group.

Background & Progress to date

2019/20:

Introduction

3. During 2019/20 an Oversight Board and Executive Group was formed to oversee the work of the EMDC programme. Early analysis identified that all five cases of the Government compliant business case needed primary research and analysis. There was also an early recognition that there was no off-the-shelf model that meets the region's requirements and a new model of governance needed to be defined. It was not therefore a case of simply making the case for, and setting up, a familiar delivery structure, but defining an entirely new one.

Statements of Intent

4. A number of 'statements of intent' were agreed during 2019/20 to define a number of broad guiding principles for the EMDC programme. These included general high level principles; governance; planning; and freeport. The latter in recognition of a complementary opportunity for an Inland Freeport focussed on East Midlands Airport Area and Ratcliffe Power Station.

Working Groups

5. A number of working groups were formed to undertake more in depth work on specific components of the development corporation including Connectivity; Carbon Zero; Natural

Capital – Net Gains; Freeport; and Communications. Close working also emerged with the NHS confederation to explore the potential for health considerations to be woven into the strategy.

Alchemy Project Summary Business Case

6. The year culminated in the endorsement of the ‘Alchemy Project Summary Business Case’ and its submission to Government in March 2020. This made the case for a new type of development corporation – a LLUDC and as a consequence the need for an Interim Vehicle. It included recognition in the Oversight Board for the need to focus on the three initial sites before considering a wider roll out. Concurrently, the Ministry of Housing Communities and Local Government (MHCLG) undertook a consultation on development corporation reform at the turn of the Calendar year 2019/20 and the Midlands Engine submitted a technical response as part of on-going discussions with Government. Officials highlighted the need to be prepared and ready to engage in relevant legislative opportunities and the pending planning reforms were known at that point.

2020/21:

Introduction

7. In 2020/21 the programme has focussed on concluding the detailed business case and establishing an interim delivery vehicle, EM DevCo Ltd. The interim vehicle will be a company limited by guarantee that will drive forward the proposition whilst the Parliamentary processes to establish the proposed new model of Locally Led Urban Development Corporation (LLUDC) take place. The working groups established during 2019/20 to support the programme continued to advance a number of key themes.

Planning & Development Corporation Reform

8. During 2020/21 the Government undertook consultation on a Planning White Paper - ‘Planning for the Future’ <https://www.gov.uk/government/consultations/planning-for-the-future>. This included specific mention of Toton and the work on the East Midlands Development Corporation programme. The Midlands Engine responded positively to this consultation to highlight the range of possible powers envisaged for the new model LLUDC as part of the reform agenda.

Interim Vehicle

9. During 2020/21, the proposals for an interim vehicle focussed on the three initial sites continued to develop. The formation of the vehicle was agreed at the Alchemy Board in July 2020, with recognition and support for the five directly affected local authorities with statutory responsibilities covering the three sites to form the vehicle. The five authorities included Broxtowe Borough Council; Leicestershire County Council; North West Leicestershire District Council; Nottinghamshire County Council and Rushcliffe Borough Council. Those authorities formally agreed to set up EM DevCo Ltd in December and to allocate £1.5m per annum between them for the set up and operation of the business.

10. The interim vehicle will mirror the governance model for the LLUDC. This includes the establishment of an 'Oversight Authority' of Members and a private sector led independent board of Directors. Work on the formal incorporation and establishment of EM DevCo Ltd is underway with a view to the company operating as soon as practicable in the financial year 2021/22.

Alchemy Board

11. The original 'Oversight Board' established to oversee the programme (Para 2 above), will form the foundation of the Alchemy Board.
12. During 2020/21, an Alchemy Prospectus was agreed as the basis for taking forward a strategic conversation at a regional scale. This highlighted five key themes to be developed further including Connectivity; Natural Capital – Net Gains; Zero; Health; and Skills. The governance for this is being reviewed as part of the transitional arrangements with East Midlands Councils and Midlands Engine supporting this workstream.

Freeport

13. The complementary opportunity for Freeports has continued to develop during 2020/21 including an Inland Freeport focussed on East Midlands Airport Area and Ratcliffe Power Station. Latterly, and in the build up to the formal submission of an Expression of Interest on the 5th February, these plans also include East Midlands Intermodal Park in South Derbyshire. The Government's support for the proposal was announced as part of the 2021 Budget announcements on the 3rd March.

Business Case for LLUDC

14. The detailed business case for the LLUDC model supports the establishment of the interim vehicle; complements the proposed Freeport status for part of the area; and is not dependent on HS2 with sensitivity analysis having been undertaken. The business case was endorsed by the Alchemy Board on 29th January 2021 and agreement given for the Chair to submit the final version to the Secretary of State follows discussions with MHCLG officials and final clarifications with key stakeholders.
15. The business case submission include four key requests to Government; funding for the Interim vehicle (the five owning LA's are committed to providing £4.5 million); to progress legislation to establish the LLUDC; approval for 100% local retention of Business Rates in the EMDC area; and In-principle commitment to project funding for EMDC programmes.
16. This business case sets out, to Government, how a new LLUDC model for the East Midlands will meet the criteria for public-sector intervention. It includes a value for money assessment, commercial viability; financial affordability; and a route to delivery. It is intended that the business case will be formally submitted to Government on the 19th March 2021.

Conclusion & Transitional Arrangements

17. As we head into the financial year 2021/22, it is clear that the original objectives of the programme have been met. A clear and compelling proposition has been delivered for both a new model of LLUDC in the East Midlands and an Interim Vehicle in the meantime.
18. There are a number of key considerations for the programme moving forward. The five Local Authorities are progressing the establishment of EM DevCo Ltd as the interim vehicle. The company is due to be legally incorporated and registered with Companies House in March 2021.
19. A business plan for 2021/22 is under development, which will set out the activities and budget of EM DevCo Ltd for the year ahead and will be considered for approval by the EM DevCo Ltd Oversight Authority in April. The deliverables within the Business Plan will initially be based on the confirmed year one Local Authority funding of £1.5m, but EM DevCo Ltd will be capable of managing a larger budget, should anticipated Government funding be confirmed.
20. In line with the actions agreed at the January Alchemy Board meeting, a separate review is underway to establish a fit for purpose governance and support structure for the Alchemy Board moving forward. This review is being undertaken through East Midlands Councils working with the Midlands Engine.
21. It will be important to review the lessons learnt for the two levels that have emerged. These include the site specific considerations and the associated development and infrastructure investment opportunities and secondly at a regional, 'Alchemy', scale level of proposition. Both have been designed to influence each other and flexibility has been an important consideration throughout.

Future Project Governance Meetings

Alchemy Board Meetings

Thursday 29th April 2021, 13:30-15:30
Monday 12th July 2021, 14.30-16.30
Friday 8th October 2021, 11:00-13:00
Friday 21st January 2022, 11:00-13:00

Further Information

If you require any further information, please contact Ken Harrison, Programme Director.
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