

Dear Councillor

COUNCIL - MONDAY, 21 MARCH 2022

Please find attached, for consideration at the meeting of the Council on Monday, 21 March 2022, the following reports that were unavailable when the agenda was printed.

Please bring this document with you to the meeting.

Agenda No Item

4. **Report of the Cabinet (Pages 3 - 8)**

To consider the report of the Cabinet dated 21 March 2022.

The background report is available to view with the published Cabinet agenda at the following link:-

<https://democracy.newforest.gov.uk/ieListDocuments.aspx?CId=133&MId=7607>

A revised paragraph 5.8 of the background report is also enclosed.

Yours sincerely

Kate Ryan
Chief Executive

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REPORT OF CABINET

(Meeting held on 21 March 2022)

1. SOLENT FREEPORT (MINUTE NO 71)

The Cabinet is recommending to Council the final steps in the process to create the Solent Freeport, including the Memorandum of Understanding between the Freeport Company and the Government in respect of the retention and pooling of business rates and the Council's Business Rate Relief Policy in respect of businesses attracted to the Freeport.

Freeports are a flagship HM Government programme that play an important part in the UK's post-Covid and post-Brexit economic recovery. Their aim is to contribute to the Government's levelling up agenda by bringing jobs, investment and high value opportunities including to some of the most deprived communities across the country, while at the same time, generating national benefits through trade and innovation. The objectives of the Freeport Policy are threefold:-

- **Establish Freeports as national hubs for global trade and investment across the UK** – bringing new investment into the surrounding region and increase trade through generating trade growth and enable trade processes to become easier and more efficient.
- **Promote regeneration and job creation** – leveraging ideas and investment from the private sector to deliver jobs, sustainable economic growth and regeneration in the areas which need it most.
- **Create hotbeds for innovation** – leveraging both public and private investment in R&D to develop and trial new ideas and technologies in and around the Freeport.

A large proportion of the overall tax and custom site land lies within New Forest District Council's administrative area. The tax site of Southampton Water includes Marchwood Port, ABP Strategic Land Reserve, ExxonMobil and Fawley Waterside. The Custom Sites include Marchwood Port and the Strategic Land Reserve

In order for a Freeport to be formally designated, it requires Government approval of an Outline Business Case (OBC) and Full Business Case (FBC), Government approval of proposed tax sites and Government approval of proposed customs sites.

The Full Business Case (FBC) for the creation of the Solent Freeport is due to be submitted by the Solent Freeport Company to Government by 15th April 2022. The primary purpose of the FBC is to ensure that prospective Freeports have duly considered all the factors critical to successful delivery of a Freeport.

In tandem with the Full Business Case, Ratings Authorities are required to endorse the Memorandum of Understanding (MOU) on the issue of business rates retention. This document sets out how Ratings Authorities will manage the growth/uplift in Business Rates generated by the designated tax sites within the Solent Freeport to achieve the aims and objectives of the Freeport, as set out by the Government. This includes pooling of the rate receipts, funding criteria and the strategy for reinvestment in the Wider Solent Freeport area. The current draft MOU is attached at Appendix B of the Cabinet report.

In its role as Rating Authority, the Council is required to establish a Business Rate Relief Policy. The proposed NFDC policy (which is at Appendix C of the Cabinet report) reflects the guidance issued by the Department for Levelling Up, Communities and Housing, but is a discretionary policy.

Participation in the Freeport programme is deemed to be the preferred way forward given the opportunity for the District to actively participate in a flagship Government initiative. The principal rationale being the opportunity to accelerate delivery of employment floorspace, address local need and bring significant economic benefits in terms of local employment opportunities, increased trade, innovation and new investment to the District supported by the opportunity to deliver physical and green infrastructure across the area. To not participate in the Freeport programme is not considered the preferred option as effectively the District would forego the economic and fiscal opportunities identified in this report. This could also potentially undermine the District's standing within the Solent economic sub-region and the ability to attract inward investment and reverse the growth trend in the marine sector.

At the Cabinet meeting, the high levels of engagement with Council officers in the process was welcomed and there is confidence that a wide range of observations have been fed into the final documents. Questions were asked in relation to infrastructure, to which it was highlighted that the planning process would deal with necessary infrastructure for the delivery of major projects. Members were informed of the Local Investment Priorities Fund, which will allow the Council to decide how an allocated proportion of funds are spent across the wider District area, in the context of the Freeport objectives. The process for the accumulation of business rates was explained, with the opportunity to secure a proportion of funds without the risk of reset. The Investment Committee, to which the Leader of the Council is appointed, will determine the allocations. One Member highlighted the importance of priority spending on the areas most affected by the Freeport. It should be noted that the core investment fund does encourage the delivery of investment in and around the tax sites.

The Cabinet is pleased to support these recommendations that see the New Forest District Council play a key role in the Solent Freeport proposal. The Cabinet report outlines the ambition and the opportunities which will boost the economic growth of the Waterside, and will provide a focus for securing future funding for the much needed infrastructure and wider enhancements that will allow our local communities to benefit from the development of the sites within the wider area. It also covers the implications of the Freeport status for this Council and the Cabinet is pleased to be able to bring forwards the Business Rate Retention Policy that will facilitate the retention of the growth in non-domestic rating income in the Freeport tax sites to be pooled by the relevant rating authorities, including this Council, in line with the Memorandum Of Understanding. This 100% retention of Business Rates amounts to a significant step change in funding available to the region.

RECOMMENDED:

- 1. That continued support is given to the Solent Freeport, noting the benefits and opportunities within the New Forest.***
- 2. That delegated authority is given to the Chief Executive in consultation with the Council's S151 Officer and the Deputy Leader of the Council, to endorse the Full Business Case, on behalf of the Council.***
- 3. That delegated authority is given to the Chief Executive in consultation with the Council's S151 Officer and the Deputy Leader of the Council, to endorse the Memorandum of Understanding, on behalf of the Council.***
- 4. That the Solent Freeport Business Rate Relief Policy is approved, with authority being given to the Council's Service Manager – Revenue and Benefits to make changes to the policy, in consultation with the Portfolio Holder for Finance, Investment and Corporate Service, to ensure it meets the criteria set by the Council and, in line with updated Government guidance.***

**COUNCILLOR J CLEARY
VICE-CHAIRMAN**

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SOLENT FREEPORT – UPDATED PARAGRAPH 5.8

5.8 Collectively, the Solent Freeport Proposal is expected to deliver a significant number of jobs both in the Solent and wider UK economy. A top-down economic impact assessment at the time of the original bid, and based on the size of and anticipated activity on tax sites, **results in an estimated 28,000 jobs and £2.0 billion GVA directly in the Solent.** Using ONS multipliers to estimate indirect impacts (i.e. wider supply chain impacts) this results in c57,000 jobs and £3.6 billion in GVA across the UK (see Table 2). Current end-user interest is already estimated to deliver c16,000 jobs on tax sites and GVA of £1.0 billion to the Solent, multiplying to 32,600 total jobs and to £1.9 billion GVA across the UK. It will be updated figures that will be included within the Full Business Case. End-user interest is expected to increase when the Solent Freeport is formally designated, and ecosystem of the Freeport and surrounding area develops. These wider impacts include the expected impact of the Freeport tax site programme on port capacity, especially for cruise traffic. Southampton is the UK’s preeminent cruise port, and pre pandemic estimates put the number of jobs created in the Solent area by this activity at some 14,000. The investment in port capacity enabled by the Freeport tax sites is expected to allow Southampton to double the number of cruise passengers it can handle.

Table 2. Estimated job impacts from Solent Freeport According to Outline Business Case Submission (thousands)

	Local Authority	Direct jobs	Indirect jobs	Total
Dunsbury Park	Havant BC	1.7	1.8	3.5
Navigator Quarter	Eastleigh BC	3.2	3.3	6.5
Southampton Water - total		23.4	23.2	46.7
<i>Southampton Water - SCC</i>	<i>Southampton CC</i>	<i>1.8</i>	<i>1.7</i>	<i>3.5</i>
<i>Southampton Water - NFDC</i>	<i>New Forest DC</i>	<i>21.7</i>	<i>21.5</i>	<i>43.2</i>
Total		28.4	28.3	56.7

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