

PORTFOLIO - ALL

PLACE AND SUSTAINABILITY OVERVIEW AND SCRUTINY PANEL - 7 MARCH 2024

SOLENT FREEPORT: SECURING A LEGACY FOR THE NEW FOREST

1. RECOMMENDATIONS

- 1.1 That the Panel provides comments to the Cabinet on the content of this report and supports the intended Cabinet recommendations, as follows.
 - i. That the Cabinet:
 - Agrees that the following represent the priorities for the New Forest in respect of the economic growth which would be achieved through a successfully delivered Solent Freeport.
 - Transport/wider infrastructure
 - Employment and Skills
 - Prosperous Communities
 - Environmental Sustainability
 - The Development of a Local Delivery Plan
 - Instruct officers to develop a New Forest Freeport Delivery Plan and bring it back to Cabinet for consideration.

2. PURPOSE OF THE REPORT

- 2.1 To update the Panel on delivery of the Solent Freeport and to seek support for a series of New Forest Freeport priorities and the principle of developing a New Forest Freeport Delivery Plan.

3. BACKGROUND

- 3.1 Cabinet, at its meeting of 3 February 2021, agreed to support the bid to Government for the creation of the Solent Freeport. Subsequently, Council, at its meeting of 19 July 2021, approved the submission of an Outline Business Case to Government further supporting the establishment of the Freeport. This included a tax site within the Council's Waterside area covering four landholdings – the former Fawley Power Station, Exxon Mobil, ABP's Strategic Land Reserve and Marchwood Port (Solent Gateway).
- 3.2 At its meeting of 21 March 2022, Cabinet agreed to delegate endorsement of the Freeport Full Business Case and Memorandum of Understanding to the Chief Executive and agreed the Freeport Business Rate Relief policy.
- 3.3 The Solent Freeport Full Business Case was submitted to government in April 2022 and was subsequently approved. The Freeport was officially designated and moved into delivery phase in December 2022.
- 3.4 The Solent Freeport Full Business Case set out that the initiative will unlock significant investment, create thousands of new jobs and enhance the region's credentials as a

global gateway into the UK. The incentives to support investment on tax sites are now in place, including business rates relief and other incentives to support capital investment. At the same time, business rates growth which results from that investment will be pooled and reinvested in the area.

- 3.5 Decisions in relation to the Freeport are made by the Solent Freeport Board. The Leader of New Forest District Council is a Board Member of the Freeport. A sub committee of the Freeport Board, the Finance, Resources and Audit Committee, considers issues around finance and governance. The Leader is also a Member of that Committee. Finally, the Retained Rates Investment Committee considers recommendations on the use of retained business rates. The S151 Officer of New Forest District Council sits on the sub committee.

4. NEW FOREST TAX SITES UPDATE

- 4.1 Tax sites give businesses operating within them access to certain tax benefits ie Enhanced Capital Allowances, Enhanced Structures and Buildings Allowance, Stamp Duty Land Tax reliefs, Employers National Insurance Contribution relief, and Business rate relief. On designation of the Freeport, these benefits were due to end in 2026 but the Chancellor's latest autumn statement extended that deadline, in principle, to 2032.
- 4.2 Tax sites within the New Forest will play a vital role in the delivery of the Freeport – with land at the former Fawley Power Station, Exxon Mobil, ABP's Strategic Land Reserve and Marchwood Port (Solent Gateway) making up the Southampton Waterside tax site, along with one additional site outside of the District boundary in Redbridge. In the Freeport Business Cases, these sites are forecast to contribute:
- 7,000 of 16,000 new jobs (44%)
 - £290m of £511m retained business rates (57%)
 - 303 ha of 430ha of developable land (70%)
- 4.3 With the Freeport now live, it is important that investment comes forward which will realise these benefits – the clock is ticking both in respect of the benefits for investors but also the period over which retained business rates will be realised.
- 4.4 The current position on each is as follows:
- **Former Fawley Power Station.** One of the biggest brownfield redevelopment schemes in the south of England which has a resolution to grant outline planning permission for a residential led mixed use scheme including approximately 10 hectares of land in the northern part of the site for business and industrial uses. The S106 which would finalise the planning consent has not been signed by the landowner/developer which makes the timing of development uncertain. New investors have come on board and there is a new management team. Initial discussions with that team have taken place and updated proposals are awaited.
 - **Exxon Mobil** announced in November a major investment in a low sulphur diesel facility. The addition of a new hydrogen plant is seen as the foundation for developing a sustainable aviation fuel facility and, combined with their new Southampton to London pipeline, represents a near £1billion investment in the plant. The proposals will see development on one of the Freeport tax sites.
 - **The Solent Gateway** initiative now comes under the ownership of the Association of British Ports (ABP) with development planned via the long lease

which they have at Marchwood Port. The site has indicative planning permission for the construction of hard standing for storage areas for the movement of materials, vehicles and containers as well as covered storage, warehousing, industrial space and offices. Subject to signing off on the planning conditions, Solent Gateway have indicated that they expect building to begin imminently, which will represent further investment on the tax site.

- **The ABP land reserve** site represents a later phase of development. ABP have indicated that its development is reliant on improvements to the A326. A planning application for the A326 upgrade is expected later in the year, the project being led by Hampshire County Council as the Highways authority. Details of what is proposed at the land reserve is still awaited – however, the Freeport Business Case identifies the use of land as being key to unlocking an overall 40% increase in capacity at the Port of Southampton, retaining the Solent as a globally important trading gateway.

5. RETAINED BUSINESS RATES

- 5.1 One key benefit of the Freeport is the retention of business rates above a fixed base level on tax sites for a period of 25 years from Freeport designation.
- 5.2 The local retention of incremental business rates generated on tax sites is considered by government to be one of the most valuable elements of the Freeports package. Retained business rates over a 25-year period will provide a major resource for initiatives across the Solent.
- 5.3 Portsmouth City Council, as the Accountable Body for the Freeport, has signed a Memorandum of Understanding (MoU) with the Department of Levelling Up, Housing and Communities (DLUHC) in relation to the use of retained business rates. The MoU required the establishment of a Solent Freeport Company Limited (SFCL) Investment Committee to make decisions on the use of retained business rates. The Investment Committee is to make decisions based on deliverability, value for money, strategic fit, additionality, private sector leverage, public sector contributions, affordability and contribution to delivering strategic outcomes across the whole geography of the Freeport.
- 5.4 The Solent Freeport has approved a Retained Rates Investment Plan which establishes that, once pooled, retained business rates will be re-invested on the following basis.
 - Skills – 15% of available funding
 - Net Zero – 7.5%
 - Hotbeds of innovation – 7.5%
 - Regeneration and enabling infrastructure – 60%
 - Local investment priorities – 10%
- 5.5 At this stage, this breakdown must be considered as indicative. Further information is awaited on whether some areas of focus will take priority as business rates are accumulated. The timing of when funds will be available is also not yet clear. If funds are only approved once they are received then it may be some time in the future before they are available for projects. However, if there is a desire for the Freeport (or its accountable body or other body) to borrow based on future business rate income, then projects may proceed much more quickly. What the above breakdown does do, is give a clear indication of the priorities of the Freeport – this will be important when

considering the New Forest's priorities as greater alignment between the two will improve the prospect of future funding.

6. NEW FOREST FREEPORT PRIORITIES

- 6.1 The Solent Freeport offers a once in a generation opportunity to realise inclusive growth across the region including the New Forest. To date, the New Forest has not progressed proposals for how it would like to see retained business rates re-invested in the region. Whilst retained rates will be pooled and used collectively across the area, tax sites within the New Forest will be contributing a significant proportion of these funds – it is therefore appropriate that we look to influence how they are utilised and ensure that New Forest residents see significant benefit from the Freeport over the years ahead. A Delivery Plan is required which establishes the outcomes that a successful Freeport would deliver in the New Forest. This Delivery Plan can then form the basis for discussions with Freeport on use of business rates and other funding opportunities as they come forward.
- 6.2 Both the Future New Forest Partnership Board and the Waterside Steering Group has considered what they believe the most appropriate Freeport priorities would be. Each of those groups agreed that the priorities to be developed into a New Forest Freeport Delivery Plan should be as follows:
- Transport/wider infrastructure
 - Employment and Skills
 - Prosperous Communities
 - Environmental Sustainability
 - The Development of a Local Delivery Plan
- 6.3 It is now appropriate for Cabinet to consider whether it agrees that these are the key priorities for the District and for this Panel to provide its comments as part of that consideration. Further information is provided on each below.

Transport/wider infrastructure

- 6.4 The transport asks of the Freeport will need to be considered through a combination of the adopted Waterside Transport Strategy, enabling infrastructure required for New Forest Freeport tax sites (most notably the A326 upgrade) and the need to realise an enhancement of our environment and the National Park. The Waterside Transport Strategy identifies the following vision.

The Waterside will have a low carbon, resilient and fully integrated transport network designed around people and communities, enabling economic growth in an innovative way whilst protecting and enhancing health, quality of life and the surrounding internationally important environment.

It will provide for a prosperous community within which people can live, work and have easy access to local facilities, whilst enjoying easy, direct and affordable access to:

- *The New Forest's unique environment;*
- *Southampton Water's unique deep-water harbour, leisure activities and habitats;*
and
- *The city of Southampton's wide-ranging employment, leisure, health and education facilities.*

- 6.5 Implementation of the Waterside Transport Strategy should be a key Freeport priority for the New Forest. The Strategy sets the wider framework for investing in transport to support delivery of the Freeport and wider growth.
- 6.6 In relation to unlocking Freeport tax sites, the key single piece of infrastructure which has been identified as a fundamental pre-requisite to investment is the upgrade of the A326.
- 6.7 Hampshire County Council (HCC), as the highways authority, has identified that the scheme will deliver increased capacity and a redistribution of traffic back on to the A326 and away from other less suitable routes, such as through the National Park and Waterside communities. In addition, it will realise improvements for people walking and cycling in the Waterside communities and deliver a minimum 10% improvement in biodiversity, through both mitigating the impacts of the scheme and providing a further 10% uplift.
- 6.8 HCC has indicated that, as part of the Large Local Majors (LLM) programme, the DfT could be expected to provide up to 85% of the costs of constructing the scheme, and are providing up to two thirds of the cost of developing the scheme up to the submission of the Planning Application. The remaining 15% of construction costs are still to be confirmed. The cost of the preferred option at Strategic Business Case stage was £85m, but with recent inflationary price increases, the construction cost is now expected to be above £100m. In January 2024, the Leader of Hampshire County Council approved a decision to progress the continued development of the A326 scheme up to planning application and outline business case submission planned for autumn this year.
- 6.9 A number of tax site landowners have indicated that congestion on the existing A326 is a barrier to operation and an upgrade is crucial to delivering the growth envisaged by the Solent Freeport.
- 6.10 Implementation of the Waterside Transport Strategy should therefore be a core priority – including not just road infrastructure but also our ambition to realise a renewed Waterside rail link as well as wide ranging cycling and walking improvements. However, a focus on infrastructure will need to go beyond transport. In particular, the New Forest is challenged by threats to the necessary energy supply. Any New Forest Freeport Delivery Plan should consider the wider infrastructure requirements which will be key to the Freeport's success.

Employment and Skills

- 6.11 The Solent Freeport Full Business case references the Skills Action Plan and the Local Skills report developed by the Solent Skills Advisory Panel (SAP). The SAP plans show skills gaps at higher technical levels and across specific sectors, the need for more digital skills, a focus on STEM and creating additional opportunities for apprenticeships.
- 6.12 In terms of delivery on tax sites, the Freeport FBC suggests that skills needed are likely to be STEM higher technical skills, complex engineering, digital and data analytics.
- 6.13 In relation to skills, Freeport priorities as set out in the Full Business Case included:
- Creating pathways to jobs for local people.

- Targeted skills initiatives to expand the existing offer and address specific skills requirements.
- A Freeport Skills Charter to lever private sector contributions.
- A Solent Freeport Green Growth institute.
- A Skills Academy at Fawley Waterside – focusing on apprenticeships, upskilling and skills transfer across generations.
- Schemes at Southampton airport (aeronautical), Arlington (rail engineering), Dunsbury Park (advanced manufacturing).
- Utilising existing national government training offers.
- Reaching those in the most deprived communities.

6.14 Across the Solent region, there is a range of provision which New Forest residents potentially have access to in relation to skills – including boot camps, apprenticeships, NEET engagement, a skills hub and a construction skills programme. The County has a network of post 16 education and skills providers. Programmes include Hampshire Careers Partnership, Hampshire Careers and Employability Service, Careers and Enterprise Company, Employment and Skills Hub, Apprenticeships (Solent Apprenticeship Hub), Construction Skills Fund, Outdoor Education and Duke of Edinburgh Award.

6.15 However, the New Forest Economic Profile (2022) highlights some key characteristics in the district and, in particular, some areas where our employment and skills profile departs significantly from the regional average. This includes:

- An increasingly aging population (30% over 65 compared to 19% nationally).
- Knowledge intensive employment and skills (where knowledge and technologies are used extensively to add value to production or services) are underrepresented in the New Forest -11.4% compared to 20.6% in Hampshire.
- A higher economic inactivity rate (20.6%) than across the County as a whole (17.6%).
- Overall affluence (and perception of affluence) hiding pockets of deprivation – for example, in Totton, New Milton, Blackfield, Pennington. Totton and New Forest Waterside fall within 10% and 20% most deprived on the criteria of education, skills and training.
- Twice the proportion of people in the New Forest work in low skilled occupations compared to the Hampshire average.
- In relation to advanced skills (above A level), 37% of working age population of the New Forest have advanced skills compared to 43.5% nationally. There are parts of the district where the figure is much lower.
- In terms of those with low or no skills (ie either no formal qualification or level 1, GCSE 1-3 or NVQ1), the figure for the New Forest is 19.7% compared to 17.1% in Hampshire.
- New Forest has 21,600 residents employed in high skilled occupations, 28.2% of the working age population. The figure for Hampshire is 34.9%.
- The New Forest outperforms Hampshire and the UK for on-the-job training.

6.16 Discussions with providers and businesses suggest that there are a number of areas which are unique to the New Forest and, as such, they are not addressed by the Local Skills Infrastructure Plan and the Skills Action Plan which are documents reflecting the regional need. This includes:

- We have isolated communities where those most excluded have additional challenges because of that isolation.
- A very high proportion of our businesses are small and medium enterprises (SMEs). This has an impact on apprenticeship and T Level take up as SMEs are less likely to employ staff through this route.
- Additionally, SMEs tend to be less nimble in terms of recruitment, so we lose skilled New Forest residents to employers elsewhere.
- We have a need for high numbers of short-term contractors – and we are not attractive to that market because of the cost of staying and living in the New Forest.

6.17 It is therefore essential that a New Forest Freeport Delivery Plan makes the case for bespoke employment and skills approaches which address our unique challenges.

Prosperous Communities

6.18 The Solent Freeport Full Business case puts Southampton Water tax sites at the heart of the region's economic growth. The business case predominantly focuses on key deliverables around jobs, skills, innovation, and net zero. However, there is perhaps a lack of focus on supporting local communities within and adjacent to where growth is expected to take place.

6.19 One test of a successful Freeport should arguably be – 'has it made your community a better place to live'? We have many communities who are likely to assess the success of the Freeport on the physical and social benefits which will be achieved where they live – in Totton, Marchwood, Hythe, Fawley and Calshot for example. More widely, in supporting the Freeport proposal, the Council made strong representation that there should be an element of the retained business rates, the use of which would be determined by local need. This was done to ensure that communities across our whole district see benefits from the initiative and it is important that we follow through on that principle.

6.20 Totton is an important example of this and an area where we have been able to make quick strides in terms of considering how the Freeport could benefit the town centre through engagement work previously undertaken. Totton town centre needs investment through a long-term plan. The Council spoke to residents last year about how the town centre could be improved both in relation to physical interventions to enhance the town centre, but more widely to consider strategic land uses and connectivity. Cabinet subsequently agreed design principles for the town. Work is needed to bring partners together to consider a vision for Totton and an approach to realising that vision, potentially through a Framework Masterplan and Investment Plan. The Totton Regeneration Partnership is now in place to progress this work. An element of our Shared Prosperity Fund has also been earmarked, allowing some 'quick wins' to realise momentum in transforming the town centre.

6.21 The Council has additionally invested additional small sums in other town centres across the district to begin the process of engagement with local people about what would improve the places they live. Supporting local communities and town centres is also a key theme in our emerging Corporate Plan. However, where town centres across the country have benefited from investment through the Levelling Up agenda our town centres have no current route to major investment. Our Communities team will work with the Freeport going forward to look at the options open to us to address that and to bring further investment into the district. In delivering the Freeport, it is

important that the aspirations of the Freeport Full Business Case are broadened to realise inclusive growth for communities across the whole district.

Environmental Sustainability and Working Towards a Net Zero Economy

- 6.22 The Solent Freeport is unique in being the only Freeport with tax sites lying adjacent to a designated National Park and which includes land within the National Park. This creates an immediate challenge in balancing the benefits of inclusive economic growth with the need to enhance the Park as an inclusive landscape for all to enjoy.
- 6.23 The speed at which Freeport proposals across the country were developed, including outline and full business cases, meant that this issue of balancing growth and environment could not be fully assessed, albeit progress towards net zero in general was at the heart of the Freeport guidance and bidding process.
- 6.24 Any delivery plan for the New Forest in relation to the Freeport will need to consider both the role of the Freeport in progressing the region's move towards net zero alongside a focus on wider environmental enhancement and sustainability, reflecting the area's very significant natural assets.
- 6.25 Work in relation to net zero in the New Forest includes activity being undertaken by the Freeport itself, the Solent Cluster on Decarbonisation, individual major businesses and NFDC's own action plan both for the Council and the wider District.
- 6.26 In addition to ensuring progression towards net zero, a successful Freeport should see a significant enhancement of our National Park offer but also connectivity between our Waterside communities and the Park itself.
- 6.27 Specifically in terms of Freeport outcomes, the Park Authority has established the following as priorities:
- New extensive country park and greenspace provision that is accessible to local communities and enhances natural capital;
 - Reconnecting the Forest to the sea through ecological corridors, and reducing severance between Waterside communities and the New Forest;
 - Connected active travel / sustainable transport network that provide safe and green alternatives to the congested road network.

Local Delivery Plan Projects

- 6.28 In the development of the Freeport proposals, New Forest District made representation that an element of re-use of retained business rates should support local projects in those areas where rates will be collected. This was done to ensure that all parts of the New Forest realise benefits from the Freeport. An early priority for a New Forest Delivery Plan will be to develop an approach to identifying a wide range of such projects. This could be done through a bidding process or a strategic commissioning approach or both but should allow all our communities to propose projects which would support their areas.

7. COMMUNICATIONS AND ENGAGEMENT

- 7.1 The process for bidding for Freeport status across the country and subsequently developing and signing off business cases took place over a very short period and did not include provision for major engagement and consultation. One consequence of this, is a potential lack of understanding locally of the Freeport initiative or the

opportunities it could bring to communities across the district. It is also important that we hear any concerns that local people may have about its implementation.

- 7.2 In developing the priorities for the New Forest, it will be important to engage with local communities to address that shortfall in communication. The Council will work with the wider Freeport stakeholders to ensure that such discussions, for example with parish councils, take place alongside the development of a local Freeport Delivery Plan.

8. CONCLUSIONS

- 8.1 Given the role of New Forest tax sites to a successful Freeport, it is vital that the benefits of the Freeport are felt by our residents. The Panel is therefore asked to endorse the priorities set out in this report and support the recommendation to Cabinet that officers be instructed to develop a New Forest Freeport Delivery Plan.

9. CONSULTATIONS

- 9.1 The New Forest Freeport priorities set out above have been considered and endorsed by both the Future New Forest Partnership and the Waterside Steering Group.

10. FINANCIAL IMPLICATIONS

- 10.1 This report seeks support from the Panel for a recommendation to Cabinet to instruct officers to prepare a delivery plan setting out our approach to realising benefit within the New Forest from the Freeport initiative. This delivery plan can be progressed through the existing staff structure and we have received some additional resources through the government's Planning Skills Fund. We are also in discussion with the Freeport around releasing funding to work up a programme of local delivery projects and to develop business cases to support our proposals which will be needed to meet government requirements in relation to Freeport expenditure. Activities proposed within the delivery plan will need to demonstrate how they can be funded either through current funding commitments or through attracting additional external funding.

11. CRIME & DISORDER IMPLICATIONS

- 11.1 None.

12. ENVIRONMENTAL IMPLICATIONS

- 12.1 Ensuring that we realise environmental sustainability and an enhanced National Park through Freeport activity is one of the core priorities of the proposed New Forest Freeport Delivery Plan. As such, the work proposed should contribute positively to our environment.

13. EQUALITY & DIVERSITY IMPLICATIONS

- 13.1 The New Forest Freeport Delivery Plan looks to extend the proposals within the Solent Full Business case to realise specific interventions around employment, skills and communities, focusing on those most in need and communities in need of investment. As such, the Plan will champion equality and diversity across its core themes.

14. DATA PROTECTION IMPLICATIONS

- 14.1 None.

15. PORTFOLIO HOLDER COMMENTS

(Required for reports to the Cabinet)

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Background Papers:

Cabinet 3 March 2021: Freeports Bid
Council 19 July 2021: Solent Freeport Consortium
Ltd
Cabinet 21 March 2022: Solent Freeport