

CABINET

Monday 22 February 2021

SOLENT LEP FREEPORT BID

Report of the Chief Executive and Strategy Development Senior Specialist (Economy)

Recommendation

It is recommended that Cabinet:

- 1. confirm its support for the Solent Local Enterprise Partnership's bid to create a Freeport in the Solent region and**

 - 2. in supporting the Freeport bid reaffirm its support for:**
 - (i). the commercial development of the Riverside site including the North East Business Park of Southampton International Airport,**

 - (ii). progressing the development of a prosperous and financially sustainable Southampton International Airport and**

 - (iii). the construction of the link road to bypass Eastleigh town centre (Chickenhall Lane Link Road).**
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Summary

Eastleigh Borough is part of a Solent wide bid currently being submitted to Government by the Solent Local Enterprise Partnership (LEP). This bid is ground-breaking as it is supported by upper tier authority (Hampshire) two unitary (Southampton and Portsmouth) and three district (Eastleigh, New Forest, and Havant) authorities. The private sector support includes the port operators, including ABP and our own airport, transport companies and the New Forest National Park.

Eastleigh Airport/Riverside is one of three sites in the Solent region that will form the basis of the bid. The Eastleigh site has been identified as a potential Freeport site as it has an airport, 38 hectares of land around the rail works and a greenfield site owned by Network Rail.

An initial bid was submitted by the Solent LEP on 5 February 2021, including a letter of support from the Borough Council. It is a highly competitive process with bids being submitted from potentially over 30 sites across the UK. The Government will announce the first seven sites for England at the Budget in March.

Assuming the bid is successful the full Business Case will be developed during May to October with the delivery phase planned to commence in the Autumn 2021.

Statutory Powers

Section 1 of the Localism Act 2011 i.e., the Local Authority's general power of competence, including power to act for the benefit of its area or persons resident or present in its area.

Introduction

1. The Government is seeking bids co-ordinated by Local Enterprise Partnerships to establish a number of Freeports as part of a central Government programme that they see as important in the UK's post-COVID19 economic recovery and something that will contribute to realising the "levelling up" agenda.
2. The intention is to secure customs zones located at ports where business can be carried out inside the country's land border, but where different customs rules can apply to provide a competitive advantage. In doing so Freeports can significantly reduce administrative burdens and tariff controls, provide relief from duties, and import taxes, and ease tax and planning regulations. The Government's aim is to "*create onshore enterprise and manufacturing as the gateway to our future prosperity, creating thousands of jobs*".
3. There are up to 10 UK sites (up to 7 in England) that the Government is looking to become Freeports. This will be done through a competitive bidding process and will focus on meeting the following Government policy objectives:

Trade and investment:

- Increasing trade throughput through designated Freeport area.
- Increasing investment within the Freeport boundary area, surrounding area, and nationally.

Regeneration and levelling up:

- Increasing the number of jobs and average wages in deprived areas in and around the Freeport.
- Increased economic specialisation in activities high in Gross Value Added (GVA) relative to the current makeup of the local economy.

Creating hotbeds of innovation:

- Increasing local involvement and funding in Research & Development and innovation.

- Increasing productivity in each target region, through increased capacity to absorb innovation.

Solent Freeport Bid

4. The criteria as set by Government for a Freeport Bid is:
 - The Freeport Boundary must be no more than 45km in extent.
 - Tax Sites:
 - Up to three sites within a boundary.
 - Max 600ha in total (or three of between 20-200ha).
 - Tax sites should be underdeveloped and be located in areas with below average Gross Domestic Product per head and above average unemployment rates.
 - Primary customs site and sub zones.
 - Must designate a primary customs site and any number of customs subzones.
 - Bidders must include at least one port of any mode within their Freeport Outer Boundary.
5. Working with stakeholders from both the public and private sector, including Eastleigh Borough Council, the Solent LEP has formulated a bid that was submitted to Government on 5 February 2021.
6. The Eastleigh Airport/Riverside site has been chosen as one of the sites in the Solent region as it has a port (Southampton Airport), a suitable parcel of land to develop, currently 38 hectares, is a gateway site and is close to key transport links. As a result of it being commercially sensitive the LEP have requested that the details of the Solent Freeport bid including the precise location of the other two tax sites remain confidential for the time being. The press release issued by the LEP is in Appendix A.
7. As more details of the bid emerge the LEP website will be updated accordingly and this can be found by accessing the following link:

<https://solentlep.org.uk/what-we-do/news/2billion-solent-freeport-bid-submitted/>
8. To be submitted as part of the bid each proposed site must have the support of the local planning and rating authority. Eastleigh Borough Council has already demonstrated its long-term commitment to seeing this site developed and has therefore provided a letter of support from the Leader of the Council to accompany the bid (Appendix C).
9. One aspect of the criteria that the Government will use to assess the bid will be the extent that it meets their policy objective of “levelling up” economic regions across the country. This is often viewed as investment in the more

economically deprived areas in the North and Midlands. However, the Solent bid will focus on demonstrating that this “levelling up” needs also to apply equally to the South of England where there are also areas of economic under performance that need to be addressed.

10. It is estimated that, if successful, the proposals will generate 50,000 new jobs and £2Billion additional investment in the Solent region.

Strategic Implications

11. This is an exciting proposal that cuts right across our three Corporate Plan themes of Prosperous Place, Green Borough and Healthy Community. The creation of a Solent Freeport would potentially support some longstanding strategic aspirations:

Development of Riverside

- The Council has, for many years, recognised the economic and employment opportunities of this site. The total site is approximately 130 ha and stretches from the North East of the Airport to Bishopstoke Road. In 2015 The Council submitted a bid to the LEP to establish an Enterprise Zone (Solent Airport Gateway). The bid included nearly 70ha developable land and also included, at that time, the vacant Ford site. In the Council’s view a major opportunity was missed as this bid was unsuccessful.
- The Council still has aspirations to see the development of this site and the site is allocated in the current adopted Local Plan and the latest submitted Plan as Eastleigh Riverside, a site for employment and uses complementary to Eastleigh town centre including significant highway improvements.
- A planning application for Eastleigh Railway works site for industrial units and open storage, which received a resolution to permit in November and is expected to be formally approved in February 2021, will see further development of the Railway Works. The Council is also considering the option of Local Development Orders (LDO) for this site to assist with the planning environment as well as exploring opportunities to further strengthen the Planning and Economy Team in response to the economic importance of this site within the Borough.
- It is a complex site to develop with many different landowners and constraints. For almost 20 years the Council has been frustrated in its attempts to assemble land and progress the development of what could be one of the largest employment sites in the South of England. The Freeport proposal, whilst only part of the whole site, would potentially deliver the development of the North East Business Park and the Railway Works (including some additional land owned by Network Rail). The Council has over many years established a strong

relationship with the various stakeholders and all support the Freeport bid. The achievement of Freeport status would represent a major breakthrough and a vital step in releasing the developable opportunities for this site

Southampton International Airport (SIA)

- The importance of the SIA to the regional economy cannot be overstated. In 2017 an economic impact assessment of the airport stated that the airport has 950 employees in total working across a number of sectors. The majority of the airport's employees (75%) live within the Solent LEP area. The economic impact assessment estimates these jobs to be associated with a GVA of £64.7m p.a. (2015 prices).
- There are also many local businesses that rely on the airport's economic supply chain. The total indirect impact of the Airport is estimated at £63.9M p.a. (2015 prices) and this is estimated to support more than 1,300 jobs of which over 30% are estimated to work in the Solent region.
- The aviation industry has been hit very hard by the COVID19 pandemic. For SIA the loss of its main carrier, Flybe in early 2020, followed by the pandemic has had a massive impact. There has already been a significant reduction in workforce and most recently they ceased operations at weekends. Without Government support it will be a long road to recovery and the future of the Airport is now a serious concern.
- The Council has a long history of supporting the Airport and has, along with its planning role, been an active member of the Airport Consultative Committee which has sought to secure a strong and sustainable future for this vital facility. The Council has lobbied Government to recognise the importance of aviation to the country's economic future and provide financial support to assist in the recovery from the pandemic.
- By giving support at this stage, it does not in any way compromise any decision that is made by the Council in respect of its finances or planning responsibilities. Eastleigh Local Area Committee (ELAC) will shortly be determining a planning application in respect of the Southampton International Airport runway extension. Although the Freeport proposal has no direct impact on the planning application it is of course linked in terms of the long-term financial sustainability of the Airport. This is just one of the many planning issues that ELAC will be considering when determining the planning application.
- With three ports (Southampton, Portsmouth and SIA) the Solent Freeport bid provides a unique opportunity to realise the potential for

economic growth in the Solent region. Maintaining a financially strong Airport is vital to the bid and the economic strategy of the Council.

Town Centre Bypass (Chickenhall Lane Link Road)

- Perhaps the longest strategic objective the Council has had is the construction of a road to bypass the town centre of Eastleigh. The Chickenhall Lane Link Road (CLLR) would unlock the Riverside site for commercial development and provide a much needed bypass for the already congested Southampton Road.
- It is a development widely supported including by the transport authority Hampshire County Council. However, with a cost in excess of £130M it will need significant funding from central Government if it is to ever be delivered. Throughout the long history there have been potential schemes put forward and Councillors will recall the promise made by the Chancellor of the Exchequer, George Osborne, in the March 2016 Budget that the creation of a Local Majors Fund would secure the funding for the road. Once again, the Council and residents were left disappointed as this commitment has not been honoured.
- The Council's commitment has never been in doubt and the current and submitted Local Plan both recognise the CLLR as an aspiration for the future. At full Council in February 2015 the Council agreed to:

"reaffirm its longstanding commitment to the Chickenhall Lane Relief Road to reduce congestion and air pollution in and around Eastleigh Town and Bishopstoke"

This was further endorsed by Cabinet at its meeting on 4 Oct 2018.
- Although the Freeport proposal will not see the whole road constructed it will see the very important southern section started that could lead to vital improvements to the Wide Lane bridge. The attached Appendix A shows route for the access to the North East of the Airport which would form part of the southern section of the CLLR.

Financial Implications

12. The financial advantages to a Freeport site are as follows:

- Business rates relief (up to 100%).
- Retention of business rates growth for 25 years to be used within the Freeport site.
- 0% NIC on first £25k for each employee for three years.
- Enhanced Capital Allowances.
- Enhanced Structures and Buildings Allowance.
- Stamp Duty Relief.

In addition, there will be seed capital funding of approximately £17Million for each site.

13. At this stage there are no direct financial implications to the Council of supporting the Freeport bid other than officer time that is given to assist the LEP in compiling the bid.
14. There could potentially be an impact on the Council's Business Rates in the future and a financial evaluation, including the impact on Business Rates, will be undertaken should the bid be progressed to the full business planning stage.

Risk Assessment

15. The only risk at the present time is in not being party to the bid and thereby losing the potential economic benefit that a Freeport will bring to Eastleigh and the Solent region. A full Risk Assessment will be undertaken as part of the preparation of the Business Case.

Equality & Diversity Implications

16. The Equality Act is not relevant to the decision in this report because it is a response to a consultation by an external organisation.
17. Therefore, it is considered that for this decision the Equality Duty does not need to be addressed at this stage and an Equality Impact Assessment (EqIA) has not been carried out. However, during the development of a Business Plan a full EqIA will be undertaken.

Climate Change and Environmental Implications

18. The current proposals do not lead to an increase in Greenhouse Gas/CO₂, or damage ecology or the environment. An aspect that the LEP believe is unique to this bid is that it demonstrates a Net Zero in terms of emissions. Any developments will also seek to protect the existing site of special scientific interest and the watercourses, safeguarding the green space in the adjacent country park.

Conclusion

19. The Freeport is a central Government initiative to stimulate economic growth and employment that will play a vital role in the post COVID19 recovery and the 'levelling up' of economies across the UK.
20. The development of the North East of the Airport and Riverside is one of three sites that comprise the bid which was submitted by the LEP to Government on 5 February 2021. Eastleigh Borough Council provided a letter of support to accompany the bid.

21. It is a unique opportunity for Eastleigh to see the development of a site that has long been an aspiration for the Borough Council. It may also provide the catalyst to progress the link road to bypass the town centre and to support the long term financial sustainability of the Airport.
22. If the initial bid is successful a full Business Case will be prepared including a full appraisal of the financial, equality and environmental impact.
23. If successful it is estimated that the Solent Freeport will generate 50,000 jobs and £2Billion of annual economic benefit.

Nick Tustian

Chris Herbert

CHIEF EXECUTIVE

STRATEGY LEAD ECONOMY

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Appendices Attached: 3

LOCAL GOVERNMENT ACT 1972 - SECTION 100D

The following is a list of documents which disclose facts or matters on which this report or an important part of it is based and have been relied upon to a material extent in the preparation of this report. This list does not include any published works or documents which would disclose exempt or confidential information:

Solent LEP Freeport Bid – submitted 5 February 2021