

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 18 March 2024

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| Portfolio: | Policy and Resources |
| Subject: | Solent Enterprise Zone – Retained Business Rates and Infrastructure Investment Plan |
| Report of: | Director of Planning and Regeneration |
| Corporate Priorities: | Promote economic development A responsive, inclusive and innovative Council |

Purpose:

To seek Executive approval to enter into a Memorandum of Understanding for the use of Retained Business Rates growth generated on the Solent Enterprise Zone with the Solent Local Enterprise Partnership (LEP) and Gosport Borough Council. Also to advise the Executive of the current Infrastructure Investment Plan for that part of the Solent Enterprise Zone falling within Fareham Borough and for the associated costs to be included within the Council's capital programme.

Executive summary:

The Solent Enterprise Zone was established in 2012 with Fareham Borough Council as one of the partner members with a view to becoming the Solent's premier location for advanced manufacturing and technology focused on the marine, aviation and aerospace sectors. This report advises on the merit for the Council to enter into a Memorandum of Understanding for the use of Retained Business Rates growth generated on the Solent Enterprise Zone with Gosport Borough Council and the Solent LEP by 31 March 2024.

The report also provides an update on development progress to date on that part of the Solent Enterprise Zone falling with Fareham Borough since the Council acquired the site in March 2015. The current Infrastructure Investment Plan for that part of the Solent Enterprise Zone falling within Fareham Borough is outlined together with costs estimates, in order to enable these to be added to the Council's capital programme. Both existing and future retained business rates will then be used as a key source of funding for this capital programme going forward, in order to facilitate infrastructure investment at Daedalus.

Recommendation:

It is recommended that the Executive agrees:

- (a) to delegate authority to the Director of Planning and Regeneration to enter into a Memorandum of Understanding for the use of Retained Business Rates growth generated on the Solent Enterprise Zone as set out in Appendix A, noting that minor revisions are likely to be made before completion; and
- (b) that the delegation outlined in (a) is only to be exercised following consultation with the Executive Member for Policy and Resources and the Council's Section 151 Officer;
- (c) that the current Infrastructure Investment Plan for that part of the Solent Enterprise Zone falling within Fareham Borough be added to the Council's capital programme.

Reason:

The completion of the Memorandum of Understanding for the use of Retained Business Rates generated on the Solent Enterprise Zone with the Solent LEP and Gosport Borough Council needs to be entered into prior to the demise of the Solent Local Enterprise Partnership on 31 March 2024.

Cost of proposals:

The current Infrastructure Investment Plan for that part of the Solent Enterprise Zone falling within Fareham Borough has an estimated cost of £37m. It is proposed that these Infrastructure Investment Plan costs be added to the Council's capital programme to enable the use of both existing and future retained business rates to be used to fund infrastructure at Daedalus as appropriate.

Appendices:

A: Draft Memorandum of Understanding for the use of Retained Business Rates growth generated on the Solent Enterprise Zone

B: Confidential Appendix - By virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 – Information relating to the financial or business affairs of any particular person and category 7A (information which is subject to an obligation of confidentiality) of Schedule 12A Local Government Act 1972 and the Council's Access to Information Procedure Rules.

Background papers: None

Reference papers: None

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

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| Date: | 18 March 2024 |
| Subject: | Solent Enterprise Zone – Retained Business Rates and Infrastructure Investment Plan |
| Briefing by: | Director of Planning and Regeneration |
| Portfolio: | Policy and Resources |

INTRODUCTION

1. This Executive Briefing Paper seeks to set out the background to the Solent Enterprise Zone and the proposals for Retained Business Rates relating to the Solent EZ. It also provides an update on development progress to date for that part of the Solent EZ falling within Fareham Borough, together with a draft Infrastructure Investment Plan.

SOLENT ENTERPRISE ZONE – BACKGROUND, CONTEXT AND PURPOSE

2. The Solent Enterprise Zone was established in 2012 by a partnership between Fareham Borough Council, Gosport Borough Council, Hampshire County Council, Homes England and the Solent LEP. The site was a former military airfield and training base, comprising 197 hectares, of which 82 hectares were designated as an Enterprise Zone. The ambition for the Enterprise Zone was for it to become *'Solent's premier location for advanced manufacturing and technology focused on the marine, aviation and aerospace sectors.'*
3. The formal Stated Objectives of the Solent Enterprise Zone when designated were as follows:
 - create up to 3,700 additional jobs on the EZ by 2026, contributing more than one third of the Solent LEP's additional jobs target;
 - promote an advanced manufacturing and technology cluster focused on marine, aviation and aerospace;
 - provide a catalyst for the regeneration of Gosport, as the least economically viable area in South Hampshire; and
 - utilise the incremental growth in business rates to unlock the full potential of this and other Solent employment sites.
4. The designation of the Solent Enterprise Zone was progressed and took place within the context of the Solent Local Enterprise Partnership's 'Transforming Solent - Solent

Strategic Economic Plan 2014-20'. The first priority of this Plan for supporting new businesses, enterprise and ensuring small and medium-sized business enterprises survival and growth, was:

"To support continued growth of the Solent Enterprise Zone with view to delivering a world class advanced manufacturing (marine, aviation and aerospace) industrial hub delivering 3700 jobs by 2026."

5. This was appropriately reflected in the Solent LEP Bid for Enterprise Zone designation in June 2011. All business rates growth within an Enterprise Zone, for a period of at least 25 years, are to be retained by the local area, to support the relevant Partnership's economic priorities. The partnership bid advised the government that:

"The principal objective of both Solent LEP and PUSH is to secure economic growth and increased well-being in South Hampshire and the Isle of Wight. The business rate increment would therefore be used in the first instance to support investment in Daedalus to unlock its full potential as a hub for an advanced manufacturing aviation/marine cluster and to secure its sustainable regeneration, and thereafter to support infrastructural investment throughout the PUSH/Solent LEP area in support of the agreed economic strategy."

6. The Government Guidance relating to Enterprise Zones at that time advised that they would benefit from:

- a 100% business rate discount worth up to £275,000 over a five year period, for businesses that move into an Enterprise Zone;
- all business rates growth within the zone for a period of at least 25 years will be retained and shared by the local authorities in the LEP area to support their economic priorities.

7. Additionally, the Government's Enterprise Zone Prospectus advised that authorities considering Enterprise Zones would want to consider how the proposals to allow them to keep business rates and deliver Tax Increment Financing schemes could support the development of the Zone.

8. In terms of the legal framework pertaining to Enterprise Zones, no specific Enterprise Zone legislation has subsequently been forthcoming. The Local Government Finance Act 2012 made Local Rating Authorities responsible for the relevant business rates, and Government Information Letters at that time encouraged Local Authorities to work with the relevant LEP to ensure that retained funds generated by growth in the Enterprise Zone should be available to direct towards the local economic priorities. How exactly this money should be managed – if, for example, it is kept in a ringfenced account by the billing authority, transferred to the LEP or transferred to another authority to hold on the LEP's behalf – is a matter for local determination.

9. Accordingly, there is a clear benefit for the relevant parties to enter into a Memorandum of Understanding for the use of Retained Business Rates generated on the Solent Enterprise Zone.

10. Of particular relevance, in August 2023 the government issued guidance as to how the demise of LEP's is to affect Enterprise Zones, Freeports and Business Rates Retention as follows:

"The future functioning, management, and governance of these should be agreed

locally, in line with any pre-existing arrangements. Where LEPs cease operations, areas should reach locally agreeable and workable solutions to ensure a smooth transition of functions.”

11. Decisions, where appropriate, on the transfer of assets should be agreed by the relevant LEP, its Accountable Body, and respective local authorities by March 2024, though the government recognises that the practical integration and transfer process may stretch beyond that date.

SOLENT ENTERPRISE ZONE – RETAINED BUSINESS RATES GROWTH PROPOSALS

12. The preparation of a Memorandum of Understanding for the use of Retained Business Rates growth generated on the Solent Enterprise Zone has been informed by the current position and a number of working assumptions as set out below:
 - there has been limited business rate growth for retention to date (£1.7m cumulative);
 - a Solent Enterprise Zone Partnership Group is in place to oversee and co-ordinate activities, comment on new development and investment proposals and inform decision making;
 - new momentum has been gained recently as Fareham Borough Council has increased project resources for Daedalus, and Gosport Borough Council now benefits from having both a masterplan and developer in place.
13. The following table summarises the outputs from financial modelling on the expected size and profile of the business rates programme. This is broken down by Enterprise Zone and Rating Authority. However, it should be noted that these figures remain forecasts only and will in practice be driven by the timing and pace of investment, rateable values and any future reform of the business rates system. This forecast will be updated periodically by the Local Rating Authorities, to inform investment decisions.

Estimated Business Rate Growth

| Site | Rating authority | Estimated BRR over 25 years (£m) | Size of site (hectares) | £m BRR per ha |
|-----------------------------------|-------------------------|----------------------------------|-------------------------|---------------|
| Daedalus West | Fareham Borough Council | 3.7 | 14 | 265,047 |
| Daedalus East | Fareham Borough Council | 39.0 | 40 | 974,926 |
| Waterfront Area and Daedalus Park | Gosport Borough Council | 8.4 | 26 | 321,748 |
| Total | | 51.1 | 80 | |

14. Separately, there are existing commitments pertaining to the Solent Enterprise Zone which are relevant. Firstly, there is an agreement between the Solent LEP and Fareham Borough Council for £7.3m of Retained Business Rates growth to fund enabling infrastructure work at Swordfish Business Park going forward. Secondly, there is a contractual obligation between Fareham Borough Council and Homes England to deliver development of the outline planning consent previously granted. An

Infrastructure Investment Plan is under development and further detail on this is provided below.

15. Set out in Appendix A is a copy of the proposed Memorandum of Understanding (MoU) for the use of Retained Business Rates growth generated on the Solent Enterprise Zone between the parties of Fareham Borough Council, Gosport Borough Council and the Solent LEP. The general principles for the MoU are as follows:
 - the retained business rates are vested with Fareham Borough Council and Gosport Borough Council and these bodies are the final decision makers;
 - the two Councils respect the role of the Solent LEP in leading the economic strategy for the area and will work in partnership to make sure investment meets their objectives;
 - there is to be a prioritised spending plan which delivers the stated objectives of the Solent Enterprise Zone, as advised to government, in the following order:
 - Priority one - support investment in/around Daedalus to unlock the site's full potential and secures its sustainable regeneration;
 - Priority two – investment that is a catalyst for the regeneration of and supports the economy of the Gosport peninsula;
 - Priority three - support the wider Solent Economic Strategy, where there are demonstrable benefits to the Fareham and Gosport economies.
16. In terms of governance arrangements going forward, the following general principles are to apply:
 - retained business rates remain vested with the Local Rating Authority;
 - final investment decisions are made within the relevant local authorities existing governance structures (e.g. the Executive for Fareham Borough Council);
 - a Solent Enterprise Zone Strategic Partnership Group maintains an investment strategy and co-ordinates the delivery programme;
 - an advisory Solent Enterprise Zone Investment Board (Fareham Borough Council, Gosport Borough Council and Solent LEP) will oversee the investment strategy and consider investment proposals and make recommendations to Fareham Borough Council and Gosport Borough Councils respectively.
17. It should be noted that some further minor changes are likely to be made to the MoU prior to finalisation and therefore an appropriate officer delegation is sought, albeit following consultation with the Executive Member for Policy and Resources and the Council's Section 151 Officer.

DEVELOPMENT PROGRESS AND INFRASTRUCTURE INVESTMENT PLAN

18. In light of the above proposals, it is also appropriate to provide an update to the Executive on the current Infrastructure Investment Plan for that part of the Enterprise Zone falling with Fareham Borough.
19. Since acquisition of the substantive part of the Daedalus site by Fareham Borough Council in March 2015, development activity at Daedalus within Fareham Borough has been focused on Faraday Business Park and the newly recognised Skills and Innovation Sector to the south-east. It has been delivered either by the Council or by occupiers where land has been sold. In total just under 46,000 square metres has been developed, as summarised in the table below and noted on the plan attached at confidential Appendix B.

| Building | Approximate Area (sq m) |
|---|--------------------------------|
| Cemast and CETC Colleges, Meteor Way | 5,011 |
| Innovation Centre, Meteor Way | 5,738 |
| Proptech, Spitfire Way | 2,297 |
| Units 13-17 Vulcan Way (GA Hangars) | 3,042 |
| UTP, Vulcan Way | 2,828 |
| Units 4-9 Spitfire Way (Business Hangars) | 3,396 |
| HC Coils, Vulcan Way | 3,287 |
| Units 14-17 Spitfire Way | 5,403 |
| IFA 2, Vulcan Way | 14,775 |
| TOTAL | 45,777 |

20. Looking forward the amount of development anticipated at Daedalus has increased since acquisition. Following adoption in April 2023, Policies E2 and E3 of the Fareham Local Plan 2037 now allocate Faraday Business Park to provide approximately 93,100 square metres of employment space and Swordfish Business Park 34,800 square metres. It is anticipated that the additional employment space at Faraday Business Park will be facilitated in the area between Spitfire Way and Daedalus Drive. The development area at Swordfish Business Park has also increased to the south. Aside from employment space, it is anticipated there will be facilities to support the site/occupiers such as a convenience food and beverage offer. Plans are still being developed for this.
21. Thus far development at Daedalus has been enabled by infrastructure that either existed when it was purchased or was funded by the Homes and Community Agency. Spitfire Way and Vulcan Way have enabled the northern section of Faraday Business Park. To the south Meteor Way facilitated development of the colleges and Fareham Innovation Centre in the Skills and Innovation sector. Not only do these roads afford highway access they also provide service connections for gas, electricity, drainage and water. Associated with this, a power allocation from the wider grid network had also been made by the Homes and Community Agency, albeit this has up upgraded by the Council.
22. With the development of Faraday Business Park progressing, the Council must now plan the future by establishing the remaining infrastructure requirements. It was always anticipated that infrastructure would be required to enable Swordfish Business Park as it is a single open space. However, added to this are further areas of Faraday Business Park where development is now proposed. Again, these are large single open spaces where it is anticipated roads will be required to create smaller development plots. Electrical network upgrades will also be required and there are a growing number of environmental regulations to adhere to. The site forms part of the Solent Wader and Brent Geese Network and mitigation land is required when any development takes place on defined parts of the site. Biodiversity Net Gain must also be provided as appropriate in relation to any development across the site moving forward.
23. Understanding future infrastructure requirements at Daedalus needs master-planning. Whilst the Council has always committed to this, the site currently has a key competitive advantage. As there is a significant amount of land available, the Council can adapt to occupier requirements whereas other 'pre-planned' sites cannot. This 'opportunistic'

approach should not be relinquished totally but needs to be balanced with strategic master-planning. Accordingly, the Council has been refreshing elements of the indicative masterplan and this is contained at confidential Appendix B. This plan will inevitably change and further iterations will be presented as time goes on.

24. Substantial capital investment will be required to implement any masterplan. As noted, many parts of Faraday and Swordfish Business Parks are single open spaces. Infrastructure upgrades will be required and the cost needs to be assessed. Detailed costs (following procurement rules) and associated business plans will be prepared as designs are confirmed and areas of the site come forward. These will be the subject of separate Executive approvals. However, the Council has prepared an initial budget for the Executive for consideration and inclusion in the Council's capital programme. These costs are summarised below and do not include any cost price inflation moving forward.

| COST CATEGORY | |
|---|---------------------|
| Infrastructure (roads and associated services) | £ 29,079,661 |
| Junction Improvements (Spitfire Way and Daedalus Drive) | £ 1,500,000 |
| Bird Mitigation | £ 278,790 |
| Biodiversity Net Gain | £ 2,835,250 |
| Power (Network Upgrades) | £ 3,500,000 |
| TOTAL | £ 37,193,700 |
| Approximation | £ 37,000,000 |

CONCLUSIONS

25. This report seeks Executive approval to enter into a Memorandum of Understanding for the Retained Business Rates growth generated on the Solent Enterprise Zone with the Solent Local Enterprise Partnership (LEP) and Gosport Borough Council. The report also advises the Executive of the current Infrastructure Investment Plan for that part of the Solent Enterprise Zone falling within Fareham Borough and for the associated costs to be included within the Council's capital programme.

Enquiries:

For further information on this report please contact Richard Jolley, Director of Planning and Regeneration - 07798 650506.