

The City of Edinburgh Council

10.00am, Thursday, 15 December 2022

Forth Green Freeport

Executive/routine
Wards

Executive
13 – Leith

1. Recommendations

- 1.1 It is recommended that the City of Edinburgh Council:
 - 1.1.1 Supports the Forth Green Freeport (FGFP) bid, and:
 - 1.1.2 In the event that the bid is successful:
 - 1.1.2.1 Notes that Falkirk Council will act as the Accountable Body for the disbursement of development funding, within the constraints of the bid parameters;
 - 1.1.2.2 Agrees that officers will continue engagement with Falkirk and Fife Councils, as well as private sector partners, to develop the Outline Business Case (OBC) and Full Business Case (FBC), including formal arrangements for the Council's role in the FGFP governance structure;
 - 1.1.2.3 Agrees that the Service Director, Sustainable Development will represent the City of Edinburgh Council on the Interim Board;
 - 1.1.2.4 Agrees that an elected member sounding board, with cross-party representation, should be established for ongoing liaison during the preparation of the OBC/FBC; and
 - 1.1.2.5 Notes that summary reports of the OBC and FBC will be submitted to Policy and Sustainability Committee for approval prior to submission to UK and Scottish Governments.

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Report

Forth Green Freeport

2. Executive Summary

- 2.1 This report seeks support from the Council for the City of Edinburgh Council's participation in the Forth Green Freeport (FGFP) bid and outlines the next steps to be taken, should the bid be successful.

3. Background

Green Freeports

- 3.1 A "Freeport" incentivises business to locate within a designated area, with a defined boundary, via a package of tax and other incentives while also building in retention of business rates for the relevant local authority to reinvest in infrastructure over a period of 25 years.
- 3.2 The "Green Freeport" model in Scotland is a joint UK/Scottish Government initiative which adapts the UK Government's original Freeport model to fit the distinct needs and aspirations of the Scottish economy. The Scottish model is intended to deliver a net-zero economy and a "Fair Work First" approach, while supporting innovation, trade and inclusive growth.
- 3.3 On 14 February 2022, the UK and Scottish Governments announced their intention to designate two Green Freeports in Scotland. Successful applicants will have the opportunity to access seed capital funding of up to £25m each. The amount available will depend on the submission of an Outline Business Case (OBC) and Full Business Case (FBC), the content of the business cases and the proposals' strategic fit with the policy objectives (set out below).
- 3.4 The [Scottish Green Freeport prospectus](#) was published on 25 March 2022, and it stipulates that Green Freeports should contribute to four key policy objectives:
- 3.4.1 Promoting regeneration and high-quality job creation (the lead policy objective);
 - 3.4.2 Promoting decarbonisation and a just transition to a net zero economy;
 - 3.4.3 Establishing hubs for global trade and investment; and
 - 3.4.4 Fostering an innovative environment.

- 3.5 A key distinction of the Green Freeport is that applicants are required to set out how they intend to contribute a just transition to net zero emissions by 2045, including how they can facilitate the decarbonisation of beneficiary organisations. Furthermore, the Fair Work First criteria is a pre-requisite for all Green Freeport employers, ensuring that jobs are fair and well paid.
- 3.6 The tax incentives, as set out in the Prospectus, to encourage investment associated with Green Freeports are:
- 3.6.1 Enhanced Structures and Buildings Allowance (until 30 September 2026);
 - 3.6.2 Enhanced Capital Allowance (until 30 September 2026);
 - 3.6.3 Land and Buildings Transaction Tax Relief (expected to be for a maximum of five years);
 - 3.6.4 Employer National Insurance Contributions relief on new employees on the part of earnings that is up to £25,000 p.a., for a maximum of three years per employee; and
 - 3.6.5 Non-Domestic Rates (NDR) relief (for a maximum of five years, with the first application to be made before 31 March 2028).
- 3.7 In order to access these incentives, the investing company must demonstrate and confirm that it is meeting the overall objectives of the Green Freeport (confirmed via the Governing Body, which must be set up as part of the OBC/FBC, with reporting to both the Scottish and UK Governments).
- 3.8 There can be a maximum of three tax sites within the outer boundary.¹ There can also be additional Customs sites, within which businesses will have access to customs incentives such as import duty suspension, tariff inversion (where no duty is paid on the import of component parts, and instead a fee charged once the finished good leaves the area after manufacturing) simplified customs procedures, but not the tax measures described above.

Non-Domestic Rates and Green Freeport Tax Sites

- 3.9 In Scotland, the usual process for NDR is that it is collected by local authorities and aggregated at Scottish Government level, with a pro rata share paid back out to the local authorities (in line with an agreed formula).
- 3.10 Local Authorities where Green Freeport tax sites are located will retain 100 % of the NDR growth above an agreed baseline growth rate for the area of the tax site (but would not be penalised if, for any reason, growth was below the baseline growth rate).
- 3.11 The retained rate will be guaranteed for 25 years, giving local authorities the certainty they need to borrow for investment in regeneration and infrastructure to support further growth and help achieve the four Green Freeport objectives (as set out at 3.4).

¹ The “outer boundary” is the geography in which all tax and customs sites must be situated. All additional spending (e.g. seed funding, spending from retained business rates) should be spent within this boundary.

- 3.12 Retained receipts should be used to cover borrowing costs (where relevant); re-invest in the Green Freeport tax site to generate further growth; or offset expected impacts of any displacement of local economic activity from deprived areas. The areas in which these funds will be invested will ultimately be approved by the Council, having considered the anticipated outcomes of the Green Freeport policy.

Freeport Regulation Engagement Network

- 3.13 In order to ensure that the Green Freeport model maintains the high standards currently seen within Scotland and the UK with respect to security, safety, workers' rights, data protection, biosecurity and the environment, while ensuring fair and open competition between businesses, the Scottish Government will facilitate a "Freeport Regulation Engagement Network" (FREN).
- 3.14 The FREN's exact operation in Scotland will be confirmed after the competition concludes, but Scottish Government have stated that it will:
- 3.14.1 Enable an early engagement process between innovative businesses and regulators;
 - 3.14.2 Support businesses on regulatory issues, minimising bureaucracy and uncertainty;
 - 3.14.3 Generate ideas to engage businesses and regulators on areas of potential opportunity; and
 - 3.14.4 Identify opportunities for regulatory flexibility and new regulatory sandboxes.
- 3.15 The Scottish Government have also suggested that a number of place-based tools be used to inform the delivery of appropriate development in Green Freeport areas by providing greater planning certainty and enabling streamlined decision-making. These include Enterprise Areas, Simplified Planning Zones and processing agreements, and new mechanisms like Masterplan Consent Areas.

Forth Green Freeport Bid

- 3.16 Immediately after the Green Freeport prospectus was published, Forth Ports – in partnership with Babcock, INEOS, Scarborough Muir (SMG), and Edinburgh Airport – confirmed its aspiration to submit a bid for a FGFP. The City of Edinburgh Council, along with Falkirk Council and Fife Council, was approached to work with the private sector stakeholders to take forward the bid.
- 3.17 On 17 March 2022, the Council approved the following amended motion:
- 3.17.1 To note the UK Government's aim to establish "freeports" around the UK which would provide duty free import and export of goods, simplified customs procedures and varied economic regulations; further notes the recent announcement that the Scottish Government will cooperate with the UK Government on the establishment of "green freeports" in Scotland;
 - 3.17.2 To note the Council had been involved in discussions on what "green free port" status would mean;

- 3.17.3 To note the importance of the Forth continuing to bring inclusive and sustainable economic opportunities to Edinburgh and the potential for high quality job creation towards a just economic transition to net zero;
 - 3.17.4 To note that information would have to be presented to Council to identify the merits of such a status and addressing any concerns before the Council support would be confirmed; and
 - 3.17.5 To agree that Council would remain involved in discussions to better understand these matters and bring forward a report for Councillors to consider in future.
- 3.18 Due to the circumstances following the 2022 local government election, there was no opportunity to take a report to Full Council prior to the deadline but a letter of support for the bid, signed by the Leader of the Council on 17 June 2022, emphasised that the City of Edinburgh Council's support was contingent on real evidence of Net Zero and Fair Work commitments. A briefing by Forth Ports was also offered to Group Leaders on 16 August 2022, to set out the potential benefits of the FGFP and to address any concerns.

Policy and Sustainability Committee

- 3.19 On 17 November 2022, Policy and Sustainability Committee received a report on the background to the FGFP bid.
- 3.20 In considering the report, the Committee "recognise[d] that while Green Free Ports may be useful in unlocking economic development in some areas, the case for Edinburgh's involvement in the Forth bid has a number of important outstanding questions."
- 3.21 Committee instructed the Council Leader and Chief Executive to write to the UK Government and Scottish Government to make clear that the Council currently has not yet made a decision about supporting the Edinburgh element of the bid and will not be able to confirm support until it comes to a settled position, agreed by Councillors through Full Council. This letter was sent on 24 November 2022.
- 3.22 Committee further requested a report "setting out the full position of aspects of the bid within Edinburgh, including analysis of bid activity already happening versus additional investment and job opportunities, the potential for loss of tax take through the incentives within the Green Freeport plans, and further information on the strength of commitments of both Governments to the enforcement of conditions relating to Fair Work and Climate Change."

City of Edinburgh Economy

- 3.23 Edinburgh is Scotland's economic capital and, as reported in the Edinburgh Economy Strategy, is widely recognised as the strongest major city economy in the UK outside London. Economic output per capita is higher than any major UK city outside London and unemployment rates are lower than UK and Scottish averages, with jobs growth over the past five years faster than all but one UK city.

- 3.24 On average, Edinburgh remains a high employment, high wage economy, but there are deep inequalities, concerns around low pay, insecurity, exploitative contracts and limited opportunities for job progression for too many people.
- 3.25 As the [Edinburgh Poverty Commission](#) pointed out, in 2021 over 80,000 of our citizens, including almost one in five of all our children, lived in poverty in Edinburgh with an increasing number of citizens relying on foodbanks. Pre-pandemic, around one in ten (9%) of all jobs were casual, temporary or non-contract and 27% of Edinburgh jobs do not provide workers with ‘satisfactory’ pay, contracts, or hours. In 2021, approx. 37,000 Edinburgh workers were paid less than the Real Living Wage rate.
- 3.26 54,000 people in Edinburgh are employed in the Health industry. This makes up over 15% of all jobs in Edinburgh. In 2021, nearly one in 10 people employed in Edinburgh worked in the finance and insurance sector. This is twice as much as the average across other major UK cities. Edinburgh, relative to other UK cities, also has much higher employment share in accommodation and food services, information and communications and less relative employment in transport and storage, construction and manufacturing and wholesale.
- 3.27
- 3.28 Edinburgh has historically had a relatively small manufacturing sector, with limited inward investment and indigenous company growth in recent years. The city’s manufacturing sector is dominated by the electronics sector, with relatively low representation in most other subsectors.
- 3.29 As shown in Appendix 1, Office for National Statistics (ONS) data shows that manufacturing accounts for just 2.2% of employment in Edinburgh: less than any other major Scottish city, and significantly below the Scottish average.
- 3.30 Edinburgh currently has negligible levels of employment in three strategic sub-sectors: the manufacture of motors, generators and related machinery; the manufacture of general-purpose machinery (which includes turbines, compressors and related machinery); and shipbuilding. By comparison, all other major Scottish cities have some degree of concentration in at least one of them.
- 3.31 As per EY’s Attractiveness Survey in 2021, Edinburgh and Manchester were the top two cities in the UK, after London, for attracting Foreign Direct Investment projects. The survey indicates that manufacturing FDI is on the rise in Scotland as a whole but the majority of Edinburgh’s FDI sits in sectors traditionally associated with office work (finance, professional, insurance, technology).

4. **Main report**

FGFP Bid

- 4.1 The proposed FGFP outer boundary is shown in Appendix 2. It covers a 44.8 km wide ‘economic corridor’ and includes three Tax Sites: Grangemouth (Falkirk), Leith (Edinburgh) and Rosyth (Fife); and two Customs Sites: Burntisland (Fife) and Edinburgh Airport (Edinburgh).

- 4.2 Officers have been involved in discussions with the private sector partners and Fife and Falkirk Councils to understand what the bid would entail. Discussions specifically focussed on inclusive and sustainable economic opportunities and the potential for high quality job creation towards a just economic transition to net zero.
- 4.3 The FGFP bid (a summary of which can be found in Appendix 3) identifies a number of potential economic and other benefits from Green Freeport policy and investment. Selected key benefits are highlighted as follows:

Jobs

- 4.4 The FGFP is expected to support up to 50,000 jobs in total:
 - 4.4.1 Investments unlocked at Grangemouth are expected to generate 20,000 jobs. These will primarily be in port-centric logistics and warehousing, alternative fuels, and manufacturing;
 - 4.4.2 Investments unlocked at Rosyth are expected to generate 16,000 jobs. These will primarily be focused on renewable energy manufacturing, shipbuilding, and logistics;
 - 4.4.3 Investments unlocked at Leith are expected to generate 11,000 jobs. These will be in offshore wind manufacturing and in the creative sector;
 - 4.4.4 The Global Air Park at Edinburgh Airport is expected to generate up to 1,000 jobs in the ecommerce and logistics sectors; and
 - 4.4.5 The Burntisland customs site is expected to generate up to 2,000 jobs in marshalling, assembly, operation and maintenance of offshore wind turbines.
- 4.5 It is understood that the economic model used to calculate this follows a recognised input-output methodology based on data from the ONS. The consultants have used this approach on multiple Green Book compliant government business cases, and the approach has been approved by HM Treasury.
- 4.6 One important clarification is that the jobs presented in the bid are gross, and thus include both direct and indirect jobs. By gross, this means that the numbers have not been compared to a counterfactual scenario of what would have happened without the Green Freeport incentives. This means that the total jobs should not be considered 'additional' jobs – they represent the expected total employment on Green Freeport sites. A full counterfactual assessment will be conducted in any OBC process.
- 4.7 The jobs created will be high quality, well-paid, and sustainable. Analysis of the direct jobs created shows that the wages provided for these will be significantly higher than the median wage of each region, by 23% in Falkirk, 15% in Fife and 7% in the City of Edinburgh.
- 4.8 Due to existing skills deprivation in the areas, there may be concern that this activity will result in job displacement and a creation of skills mismatch as a result of decarbonisation processes. FGFP will monitor risks of displacement for potential investments and will adopt several mitigation strategies.

Other Benefits

- 4.9 A key initiative is a Skills Fund, in which the private sector will reinvest £2.1m to directly support creation of new jobs and upskilling of the local workforce.
- 4.10
- 4.11 The FGFP area currently accounts for 40% of Scotland's industrial emissions and significant investment will be required across the Forth Estuary to meet Scotland's net zero commitments. The FGFP has plans to support the delivery of a just transition for Scotland's industrial heartland, ensuring that it is at the forefront of the developing offshore wind and alternative fuels sectors. The FGFP has land at Grangemouth earmarked for the development of BioFuels, a Hydrogen Hub and an Innovation Campus that is located within the petrochemical complex.
- 4.12
- 4.13 As noted in the background section of this report, the FGFP will allow Councils where tax areas are located to retain 100% of the uplift in NDR revenues (above an agreed base rate), to be invested in capital infrastructure projects. Initial estimates are that this could unlock in the region of £300m in capital infrastructure projects within the outer boundary area. These projects will need to be agreed by relevant Council Committees, as well as the FGFP Governance Board and the two Governments in due course. However, it is envisaged that they would include investment in transport, town centres and public realm to the benefit of the neighbouring communities.
- 4.14
- 4.15 Communities adjacent to the Port areas (Grangemouth, Rosyth, Burntisland and North Edinburgh) will benefit from a ringfenced Place Based Investment Fund. Levels of deprivation indicate that these communities do not always benefit in proportion to the wealth created in their locality, so the aim of the Fund is to address this imbalance via targeted investments. Further work is required to assess the level of capitalisation of the Place Based Investment Fund that would be possible.
- 4.16 Additionally, on approval of the FBC, up to £25m of seed funding will be released from the UK Government for the development of the Tax Sites named within the successful bid. This will be ringfenced for capital projects that directly improve these sites and allow investment to happen. The detail of these projects will be developed as part of the business case process.
- 4.17 Update on aspects of bid within Edinburgh
- 4.18 Information is set out below in response to questions raised by elected members regarding Edinburgh's involvement in the FGFP bid.
- 4.19 Governance and Government Support
- 4.20 Green Freeports is a joint UK and Scottish Government initiative. The Prospectus makes it clear that, while 'establishing hubs for global trade and investment' and 'fostering an innovative environment are objectives of the policy, 'promoting decarbonisation and a just transition to a net zero economy' is key and 'promoting regeneration and high-quality job creation' is the lead policy objective.

- 4.21 Private and public sector partners involved in the bid have all committed to these objectives and to adhere to further working with the Governments to ensure they objectives are entrenched in the FGFP.
- 4.22 If the bid is successful, Falkirk Council will be the Accountable Body and answerable to the Scottish Government for the seed capital funding. Upon confirmation of successful bid, an Interim Governance Board will be established to provide an organisational structure with the capacity and capability to deliver the detail required in the OBC.
- 4.23 During the development phase, it is anticipated that the Governance Board will transition from interim to permanent, an independent chair will be recruited, and an Operating Company will be incorporated as a company limited by guarantee.
- 4.24 The Operating Company will be accountable to the Governance Board and will be responsible for marketing and investment promotion; coordination of sub-committees; management and distribution of funds, including the Skills Fund; and monitoring, reporting and evaluation.
- 4.25 The Governance Board would act as the oversight body and would be accountable to UK and Scottish Government in terms of compliance with the Green Freeport regulations, reporting back to the Governments and holding overall responsibility for upholding environmental standards through delivery. Tax and customs site land owners and inward investors will be required to uphold the required standards and report to the Governing Board on compliance.
- 4.26 The Governance Board will be supported by range of sub-committees accountable for delivering Net Zero and Innovation, Skills and Fair Work, Infrastructure and Communities, and Trade and Investment. These would not be established until the completion of the FBC, but engagement with key members would begin during the OBC to build the required detail around thematic strategies.
- 4.27 The composition of the Governance Board will be agreed as part of the OBC development, but it will be chaired by an independent third party and feature representatives from Local Authorities and private sector partners. It is also envisaged that Regional Economic Partnerships, education partners and employees will be represented.

Additionality

- 4.28 Tax site incentives in Leith are expected to secure £850m of investment, including £785m in an offshore wind hub and marshalling site, as well as £35m in a small and medium-sized enterprise (SME) hub. These proposed developments have attracted strong investor interest and have the potential to support the emergence of Leith as a nationally significant cluster for renewable energy.
- 4.29 The FGFP plans to maximise additionality and minimise the risk of displacement by targeting investment opportunities which require the specific infrastructure and expertise available at the tax sites. The scale of offshore wind manufacturing envisioned at the Leith Renewables Hub, mentioned above, requires large-scale

waterside marshalling land, and access to North Sea installation sites. These elements are uniquely available at the Port of Leith.

- 4.30 Although Forth Ports has committed to the £50m development of a marshalling and consolidation facility at the Port of Leith, it is the inward investment in manufacturing and the associated supply chain that will create new jobs. Investors have argued that, without the incentives, Scotland is uncompetitive against mainland Europe. Green Freeport status is therefore key to realising offshore wind manufacturing capability at Leith.
- 4.31 Initial discussions have already generated a significant expression of interest in offshore wind manufacturing at Leith. A Tier-1 manufacturer of offshore wind components has expressed commercial interest in using Green Freeport levers to redevelop areas of the Port of Leith as a renewables manufacturing hub after the departure of a long-term tenant who operated in the oil and gas sector. This would entail an investment of more than £150m, supporting 1,000 direct jobs on site and an estimated 2,000 indirect jobs. Discussions with this supplier are at an advanced stage, with a memorandum of understanding in place, but are contingent upon Green Freeport status. The potential investor has confirmed that Green Freeport designation is essential and that they will not create this facility if there is no Green Freeport in place; as the incentives close some of the gap versus alternative sites in mainland Europe
- 4.32 Within the bid, it is proposed that Edinburgh Airport becomes a customs site. The core benefits this brings are customs simplification and the deferral of duties for components being brought in for up-cycling / final assembly. Green Freeport incentives are often considered a highly effective mechanism to quickly increase warehousing capacity for advanced logistics, thereby helping overcome the recognised shortage of sufficient logistics capacity across the UK supply chain. Many freight forwarders have their own bonded facilities, so they can hold goods, but the customs sites will help to simplify the processes and make trade more seamless, especially for small and medium-sized enterprises (SMEs) in the region.
- 4.33 Across the FGFP sites, Green Freeport levers may facilitate investment in up to one million square feet of additional logistics warehousing at the Global Air Park (GAP) at Edinburgh Airport (along with Grangemouth and Rosyth). Edinburgh Airport have had a number of live discussions with potential GAP tenants that would be new to Edinburgh, where the Green Freeport has been acknowledged as being attractive and of benefit.
- 4.34 The Green Freeport incentives will also support investment in new facilities to develop the ecosystem around the expanding but space-constrained creative industries cluster at Leith. The ambition is to create a 'creative quarter' with nearby transport links, hotel accommodation and recreational facilities to attract new workspaces, commercial units and more film making opportunities. This aligns with local regeneration plans centred on the development of a Leith 'container park.'
- 4.35 There is also evidence from Freeports in England, where they have attracted additional investment opportunities since their announcements in March 2021. For example:

4.35.1 Ford Dagenham (part of the Thames Freeport consortium) have announced commercial interest with two vehicle upfitters - MS-RT's £4m facility which will create more than 120 new jobs when operational; and a memorandum of understanding with Venari Group which is focussed on upfitting emergency vehicles, creating around 100 jobs when the planned new facility starts production; and

4.35.2 The Range (retailer) will occupy a c. 1.2m sq.ft. facility at Freeport East, creating an estimated 1,650 jobs.

4.36 This suggests that the FGFP itself may drive more (international) trade, meaning that Edinburgh being part of it may enable future efficiencies.

Loss Of Tax Revenue

4.37 The full tax benefits for investors are outlined in paragraph 3.6. These have been agreed between the UK and Scottish Governments, and it is assumed that the assessment of the loss in tax revenue due to the incentives offered versus wider benefits achieved has been made and approved at Government level.

4.38 From an Edinburgh perspective, the majority of these tax incentives do not impact the calculation for the annual settlement from Scottish Government. The only area where there is a direct tax impact is NDR.

4.39 As set out in paragraphs 3.9 - 3.12, NDR is normally collected by Local Authorities and collated centrally, with a share being allocated to Local Authorities as part of the annual settlement from Scottish Government. Officers understand that due to the Scottish Government formula for Council's combined General Revenue Grant (GRG) and NDR funding being based on the difference between the spending needs assessment and the element that can be raised locally from Council Tax, the only way of increasing overall funding is to increase the share of the Scotland-wide needs assessment.

4.40 In short, as the top sum remains the same (the assumed spending needs), an increase in NDR income is ordinarily offset by a reduction in GRG. In the case of Green Freeports, Local Authorities will be able to retain **all** NDR growth (i.e. the increase in NDR income resulting from an increase in the tax base, less any reliefs) within the Green Freeport tax site area above an agreed baseline for a period of 25 years (so continuing past the point of relief elapsing). The income can be retained for reinvestment, meeting borrowing costs or targeted spending.

4.41 In this instance, the Council would therefore retain all the additional rates income that is generated by the growth activity in the Leith tax area and it is understood that this would sit outside the spending needs assessment and therefore would not impact the combined GRG and NDR allocation from the Scottish Government.

4.42 The detailed criteria of the relief, the funding raised as a result, and the impact of the five-year relief given to investors, would need to be assessed as part of the OBC/FBC.

Net Zero and Fair Work

- 4.43 The FGFP bid proposes to design and implement an investment policy which reserves tax site incentives for investors which meet a set of investment principles. Fiscal support will be reserved for investors that will deliver against Green Freeport objectives and uphold standards regarding net zero, inclusion and fair work first principles. This investment policy will be incorporated in the founding terms of reference for the FGFP Governance Board and will be supported by a clawback mechanism for incentives granted in case of breach, meaning entities failing to comply with Fair Work, climate change, and other principles would see their tax incentives clawed-back.
- 4.44 All FGFP partners are committed to a deliverable 2045 net zero plan for the whole FGFP area. The FGFP Governance Board will establish a Net Zero and Innovation sub-committee which will ultimately oversee related activities. All tax site investors wishing to avail of tax benefits must demonstrate compliance with Scotland's 2045 net zero target. Any business not able to demonstrate their commitment will not be able to access the benefits.
- 4.45 The FGFP discussions have also opened doors for collaboration discussions between Edinburgh Airport and INEOS around sustainable air fuel development, which could have a major impact on wider net zero work.
- 4.46 Employers in the FGFP will be required to commit to upholding the principles of Fair Work First. The investment principles will ensure that tenants availing of tax benefits embed Fair Work practices. The proposed investment principles set out in the bid covers all major aspects of the Scottish Government's guidance of fair working practices, including:
- 4.46.1 Effective voice – the FGFP will establish a Skills and Fair Work subcommittee which will include employee representatives. The bid also sets out that the sub-committee will be able to elect one voting representative to the Governance Board to represent employees' voices;
 - 4.46.2 Workforce development – tax site operators will deploy a multi-million pound Skills Fund to create future skills;
 - 4.46.3 Inappropriate zero-hours contracts – all investors wishing to avail of tax site benefits will be expected to adhere to fair work first principles on inappropriate zero hours contracts;
 - 4.46.4 Inclusivity – all employers will be required to commit to inclusive hiring practices; and
 - 4.46.5 Real Living Wage – all tax site landowners currently pay the real living wage to employees. Any investor wishing to avail of tax reliefs will be expected to commit to paying the Real Living Wage.

Simplified planning regime and regulatory sandbox

- 4.47 As per the Prospectus, and as set out above in paragraphs 3.13 – 3.15, two potential aspects of the Green Freeport, as suggested by Scottish Government, are a simplified planning regime and a "regulatory sandbox" to support innovation.

- 4.48 A simplified planning regime could entail using place-based planning tools to enable planning authorities to take a more strategic approach to Green Freeport development and support delivery at pace.
- 4.49 The City of Edinburgh Council would, as the planning authority, work closely with FGFP to develop the investment plan to ensure that it is aligned with local development plans and National Planning Framework 4, and consider whether it would be appropriate to introduce a simplified planning regime in this area. A Masterplan Consent Area could be a potential approach, as a result of revised Scottish Government planning policy, but at no time will Council planning requirements or policy be set aside.
- 4.50 A “regulatory sandbox” could involve the Council and private sector working with regulators through the Government initiated FREN to relax regulations on the usage of certain types of technology within specified zones of a Green Freeport area for research and development and testing purposes – for example, automated vehicles could be permitted to be used within certain parameters. This is to encourage greater innovation (policy objective) and faster adoption of new technologies.
- 4.51 Neither a simplified planning regime or regulatory sandboxes are automatically applied and the availability as well as scope and extent of these would require to be developed further in the OBC/FBC, in close consultation with officers from the Council’s Planning and Regulatory services and other stakeholders active in these spheres. In these discussions, careful consideration would require to be given to the balance between accelerating development/innovation and ensuring the appropriate controls were in place in terms of planning regulation and policy, safety, environmental protection, etc. and any agreements would require approval from the relevant Council committees.

Displacement

- 4.52 All three tax sites feature specific infrastructure which cannot be moved easily and are costly to install, and so investors will have no alternative options in the region from which to displace activity. FGFP will approach attracting businesses by focusing on the unique aspects of the sites, such as access to the specific infrastructure of the sites, port logistics, petrochemical inputs, and security – minimising the risk of displacement.
- 4.53 Nevertheless, FGFP will also actively monitor and manage risks of displacement from the nearby areas of West Lothian, Stirling and Clackmannanshire. Representatives from these surrounding Local Authorities have been engaged through development of the FGFP bid; and will be invited as observers in FGFP Governing Body, to raise risks and issues around regional displacement.
- 4.54 In addition to this, it has been suggested that a ‘no displacement policy’ is part of the investment principles, and as such the Governance Board would be required to specifically look at each proposed investment and determine whether it would bring about any displacement effects. The detail would need to be agreed as part of the business case process but it is likely that the Board would have authority to reject access to the Green Freeport tax benefits for an investment proposal if they found that it did not constitute a new/additional benefit to the wider area.

Remediation of land

- 4.55 As set out above, Green Freeports will have access to up to £25m of seed funding. The Prospectus sets out that the funding is expected to be focussed primarily on land assembly, site remediation, and internal small-scale transport infrastructure to connect sites within the Green Freeport to each other, the immediate surroundings or other economic assets within the Outer Boundary. Projects must be match/part-match funded.
- 4.56 The projects will be developed as part of the business case process and agreement of appropriate business cases for seed funded projects (following Treasury Green Book) will be required before any capital is released by the Accountable Body.
- 4.57 Significant work has already been undertaken by the private sector in dealing with site clearance and land remediation at each of the tax sites over many years. Removal of redundant plant and equipment has been undertaken (and funded) at sites in Grangemouth, Rosyth and Leith as well as base site preparation activities.
- 4.58 The bid mentions land remediation works being required to accelerate investments in logistics and manufacturing; and support transformation of infrastructure. It is recognised that some of this land may be contaminated and therefore more appropriate that private sector funds this work if the contamination was originally caused by them as landowners (a so called 'polluter pays' policy). This has been discussed during the development of the bid and is expected to be agreed formally as part of the business case developments.

Regional aspects

- 4.59 The benefits of the FGFP extend further than the City of Edinburgh's boundary and the bid will bring benefits to the region as a whole. The FGFP is already facilitating discussions and cooperation between partners like Edinburgh Airport, Forth Ports, INEOS, SMG and Babcock where collaboration will benefit the wider Edinburgh region.
- 4.60 As part of FGFP's initiatives, INEOS has plans to develop a new hydrogen and biofuels hub at Grangemouth which will drive the alternative fuels ecosystem across Scotland and North England. Green Freeport levers will support the just transition of the INEOS site, through developing new innovative capabilities to manufacture biofuels and retaining Central Scotland's expertise in refining.
- 4.61 INEOS have suggested that, without Green Freeport status, the future biofuel economy is likely to be focussed on imports as opposed to onsite manufacturing. Green Freeport status would also catalyse the development of a petrochemicals and renewables innovation zone at INEOS allocated to third party investment to attract more SMEs and research and development facilities onsite.
- 4.62 In Fife SMG have, for the past 20 years, invested in the remediation of the former Rosyth Dockyard Tank Farm site at a net cost of £5m. The works are almost complete, and the site is ready to be developed on from Spring 2023. SMG are working with a Norwegian company who want to build a plant which upgrades plastic waste into valuable products which are in high demand. The plant will recycle 100,000 tonnes of plastic each year and create 100 new jobs. The company

have confirmed that Green Freeport status is essential for their business case to invest in Firth of Forth area.

- 4.63 SMG are also working with a logistics company who want to occupy a 100,000 sq ft storage and distribution facility. In this case, Rosyth is in competition with other sites which are not included in a Green Freeport bid therefore Rosyth would be at a significant advantage if the FGFP bid was successful.
- 4.64 SMG continue to work with a renewable energy component manufacturer wanting to establish a factory in Rosyth to produce blades for offshore wind turbines. The company have existing factories in a number of locations in Europe which can service contracts in the North Sea but have confirmed that Green Freeport status would significantly enhance their business case ability to commit to a new factory in Rosyth to offshore wind contracts in the North Sea for the next 30 years.
- 4.65 Edinburgh and South East Scotland (ESES) City Region Deal Regional Enterprise Council have expressed their full support for the FGFP bid, recognising that the ESES City Region area is uniquely positioned to deliver the outcomes and objectives of the Green Freeport at pace.

Conclusion

- 4.66 As set out in the background, the City of Edinburgh's economy is, although thriving in a wider context, not without issues and there is a distinct lack of jobs within manufacturing, engineering and renewables. If Edinburgh truly wish to be a stronger, greener and fairer economy, it must seek to encourage opportunities for individuals who do not wish to go into sectors such as finance or professional services but rather ensure that there are opportunities for highly skilled manufacturing roles in the city.
- 4.67 The FGFP offers an opportunity to address this lack of manufacturing capability, with the additional benefit that there is support for the upskilling of the city's workforce to also allow it to work towards the aim of becoming a Net Zero city.
- 4.68 The private sector partners involved with the FGFP have not only made financial commitments, but also commitments to align with and support the social and environmental aims of the Council.
- 4.69 The creation of up to 11,000 jobs in Leith and surrounding areas, which are currently known areas of high deprivation with unemployment rates nearly double the City of Edinburgh average, will not only benefit Leith but the city as a whole and will align with both the Granton and Seafield redevelopment plans.
- 4.70 The NDR uplift which is guaranteed for 25 years will allow the Council to consider what infrastructure projects can be put in place to support the area as a whole without impact on existing budgets.
- 4.71 It is therefore recommended that Council support the bid and, if doing so and the bid is successful:
 - 4.71.1 Note that, Falkirk Council will act as the Accountable Body for the disbursement of development funding within the constraints of the bid parameters;

- 4.71.2 Agree that officers will continue engagement with Falkirk and Fife Councils, as well as private sector partners, to develop the OBC and FBC, including formal arrangements for the Council's role in the FGFP governance structure;
- 4.71.3 Agree that the Service Director, Sustainable Development will represent the City of Edinburgh Council on the Interim Governance Board;
- 4.71.4 Agree that an elected member sounding board, with cross-party representation, will be established for ongoing liaison during the preparation of the OBC/FBC; and
- 4.71.5 Note that summary reports of the OBC and FBC will be submitted to Policy and Sustainability Committee for approval prior to submission to UK and Scottish Governments

5. Next Steps

- 5.1 An announcement on successful Green Freeport bids is expected in the coming weeks.
- 5.2 If the bid is successful, before a Green Freeport receives formal designation and can commence operations, the successful submission and approval of an OBC and FBC by the Scottish and UK Governments is required. Falkirk Council, as the Lead Authority, would lead the development of the OBC and FBC.
- 5.3 Officers will work with Falkirk Council and other FGFP partners to develop the OBC, a summary of which would be presented to elected members prior to submission to the UK and Scottish Governments.
- 5.4 The OBC would be developed in line with [HM Treasury's five case model](#) and '[The Green Book](#)' and additional guidance issued by the Department for Levelling Up, Housing and Communities (DLUHC).
- 5.5 The benefits and potential areas of investment would be further tested as part of the OBC economic and financial modelling and analysis.
- 5.6 The broad timeline is to submit the OBC to the Scottish and UK Governments three months following confirmation of successful bid, and then in turn to submit the FBC six months later, with a view to securing sign-off for the FBC (and the release of seed funding) by late 2023. The exact timing would be confirmed shortly after the successful bids are announced.

6. Financial impact

- 6.1 The FGFP will enable access to additional funding sources, including the retention of surplus business rates generated within the Green Freeport Tax Sites. This

funding can be utilised to support the wider development of the Green Freeport area.

- 6.2 Officers will continue to assess the potential funding streams to understand the proposed level of investment available to support the process.
- 6.3 The OBC will assess all monetary costs and benefits associated with FGFP, including capital and revenue requirements. This will include an assessment of the financial risks associated with the capital programme and a sensitivity analysis of the projections of retained business rates.
- 6.4 Once the Green Freeport is operational, the retained rates from the new investment on the tax sites will be at the disposal of the Council for use on future capital projects. These projects will follow the Council reporting and decision-making processes but will also be subject to approval by government. Further work is required to assess the level of income that this could be expected to support.
- 6.5 £1m development funding will be released to facilitate the development of the OBC and FBC. As the accountable body, it will be released to Falkirk Council and will support the recruitment and redeployment of officers in the City of Edinburgh, Fife and Falkirk Councils, for the appointment of specialist consultants, and any sundry costs arising from the bid process as required. Falkirk Council will manage the funding and will report to the Scottish and UK Governments on how it is spent.
- 6.6 On approval of the FBC, up to £25m of seed funding will be released (again to Falkirk Council) for the development of the Tax Sites named within the bid. This will be ringfenced for capital projects that directly improve these sites and allow investment to happen. These projects will be developed as part of the OBC process.

7. Stakeholder/Community Impact

- 7.1 The FGFP bid prioritises the inclusion of protected groups in contributing to, and benefiting from, the investments secured by Green Freeport levers. Industries targeted for investment in Scotland's Green Freeport policy have historically had relatively lower rates of representation of protected characteristics. Without direct action, the direct jobs created by FGFP levers would likely create disproportionately more jobs for male employees (77%) and create disproportionately fewer jobs for youth (8%), ethnic minorities (2%) and people with disabilities (12%). Proactive efforts from FGFP to correct this imbalance will include:
 - 7.1.1 Age - Skills investments will be accessible to people of all working age groups. Young people will benefit from partners' commitments to schools' outreach, apprenticeships, scholarships, and bursaries. Older populations will benefit from in-work up-skilling investments in virtual reality (VR) and simulation technology;

- 7.1.2 Disability - Disability-inclusive hiring practices, together with access to funding for skills bursaries will encourage open access to employment for people with disabilities; and
- 7.1.3 Sex - Access to funding for skills bursaries will be prioritised for women through preferential scoring in applications.

7.2 FGFP Governance Board will set quantitative 'Social Impact Key Performance Indicators (KPIs)', to track impacts against the nine protected characteristics. Adoption of a clear inclusive hiring policy for all businesses operating in FGFP will expand opportunities, enhance quality of work and reduce stigma in the communities around the Forth Estuary

8. Background reading/external references

- 8.1 [Green/Freeport bid for Edinburgh and South East Scotland](#) – report to the Edinburgh and South East Scotland City Region Deal Joint Committee (24 June 2022)

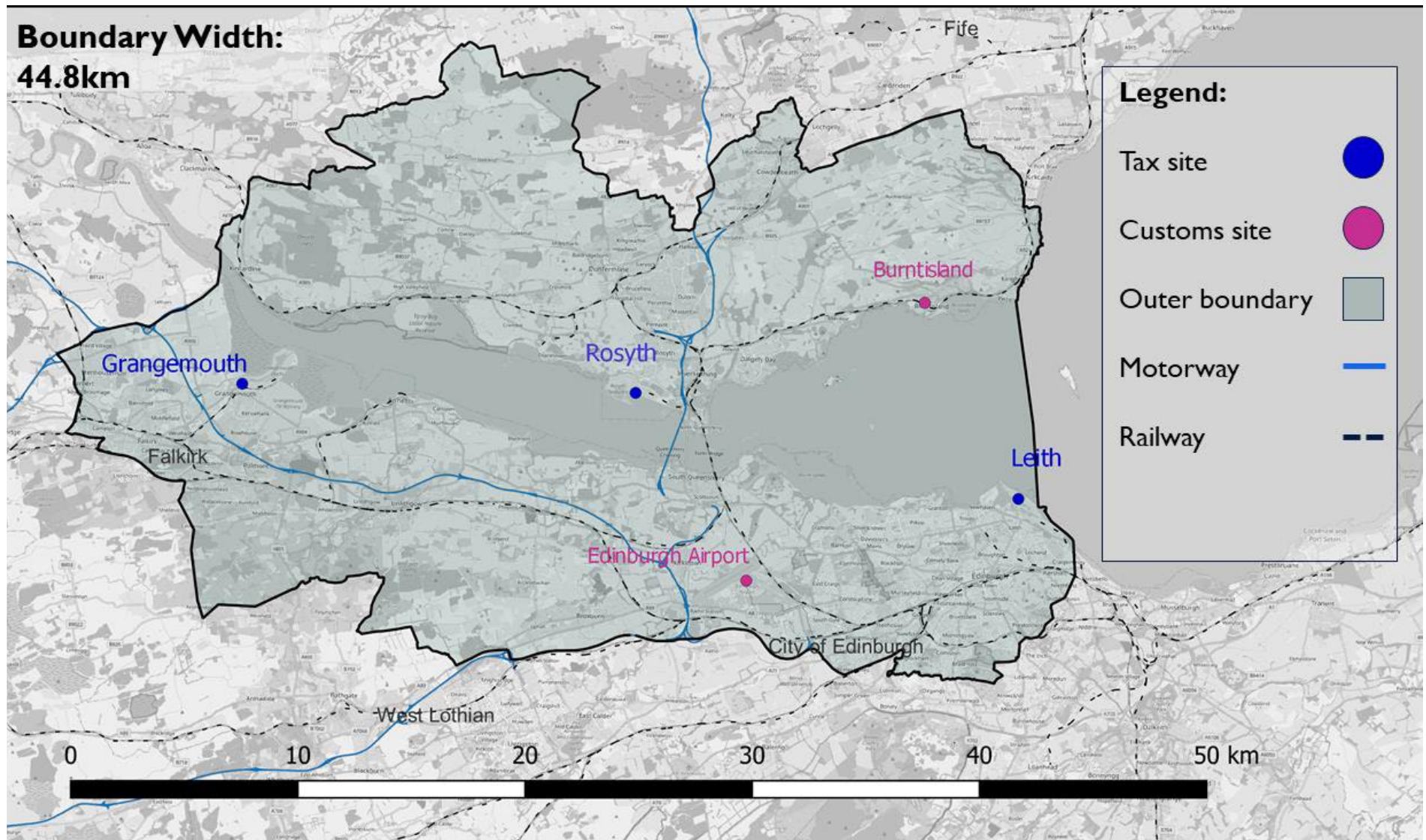
9. Appendices

- 9.1 Appendix 1: Office for National Statistics Employment in manufacturing table.
- 9.2 Appendix 2: FGFP outer boundary plan.
- 9.3 Appendix 3: The Vision for a FGFP.

Appendix 1: Office for National Statistics Employment in manufacturing table

Employment in manufacturing (2021)										
Sector / sub-sector	Scotland		Aberdeen		Dundee		Edinburgh		Glasgow	
	No	%	No	%	No	%	No	%	No	%
Manufacturing	179,000	6.8%	9,000	5.6%	3,500	4.5%	8,000	2.2%	19,000	4.4%
...Manufacture of electric motors, generators, transformers and electricity distribution and control apparatus	1,250	0.0%	150	0.1%	10	0.0%	10	0.0%	75	0.0%
...Manufacture of general purpose machinery	3,000	0.1%	250	0.2%	600	0.8%	30	0.0%	150	0.0%
...Building of ships and boats	7,000	0.3%	400	0.2%	0	0.0%	30	0.0%	3,000	0.7%
Source: Office for National Statistics, Business Register and Employment Survey										

Appendix 2: FGFP outer boundary plan



The vision for a Forth Green Freeport

forthgreenfreeport.com

September 2022

F^{ORTH}
GREEN FREEPORT

An introduction to Green Freeports in Scotland and the policy objectives

Policy Objectives

- Promote regeneration and high-quality job creation – lead policy objective
- Promote decarbonisation and a just transition to a net zero economy
- Establish hubs for global trade and investment
- Foster an innovative environment






Timeline

Prospectus Published

Announcement of winning bids



Scotland's Green Freeport package provides a generous suite of incentives to encourage investment and regeneration

Policy	Offer to Green Freeport sites
Tax incentives at tax sites 	<ul style="list-style-type: none">• 100% non-domestic rate relief for 5 years.• 100% Enhanced Capital Allowances for the first year of qualifying expenditure.• Employers forego NIC contributions on salaries up to £25,000 for new hires in first three years.• 10% rate of structures and buildings allowance p.a. for 10 years on renovation or construction.• Land purchases on tax sites benefit land and building transaction tax (LBTT) relief (to be defined in Scottish Parliament legislation).
Customs freedoms at customs zones 	<ul style="list-style-type: none">• Duty deferral automatically granted within customs zone until goods leave site.• Duty inversion for goods entering customs zone with higher tariff than final product.• Customs duty exemption on imported goods processed in the Freeport and re-exported (subject to Free Trade Agreements).• The import VAT on goods entering the Freeport is suspended.• Authorisation to use simplified import and export procedures.
Investment and spending 	<ul style="list-style-type: none">• £25 million in seed capital to improve land preparation and infrastructure in outer boundary.• Freeport local authorities retain 100% of uplift in non-domestic rates revenues for 25 years. Local authorities can borrow against future business rates revenue to invest upfront in infrastructure and skills programmes.
Innovation and regulation 	<ul style="list-style-type: none">• Regulatory sandboxes that will relax specific regulations, e.g. drone flights, automated vehicles.• A Green Freeport collaboration hub gives a platform to create regional innovation hubs.
Planning support 	<ul style="list-style-type: none">• Local authorities encouraged to adopt simple planning regimes and Masterplan Consent Areas (MCAs) aligned to National Planning Framework 4 ambitions.

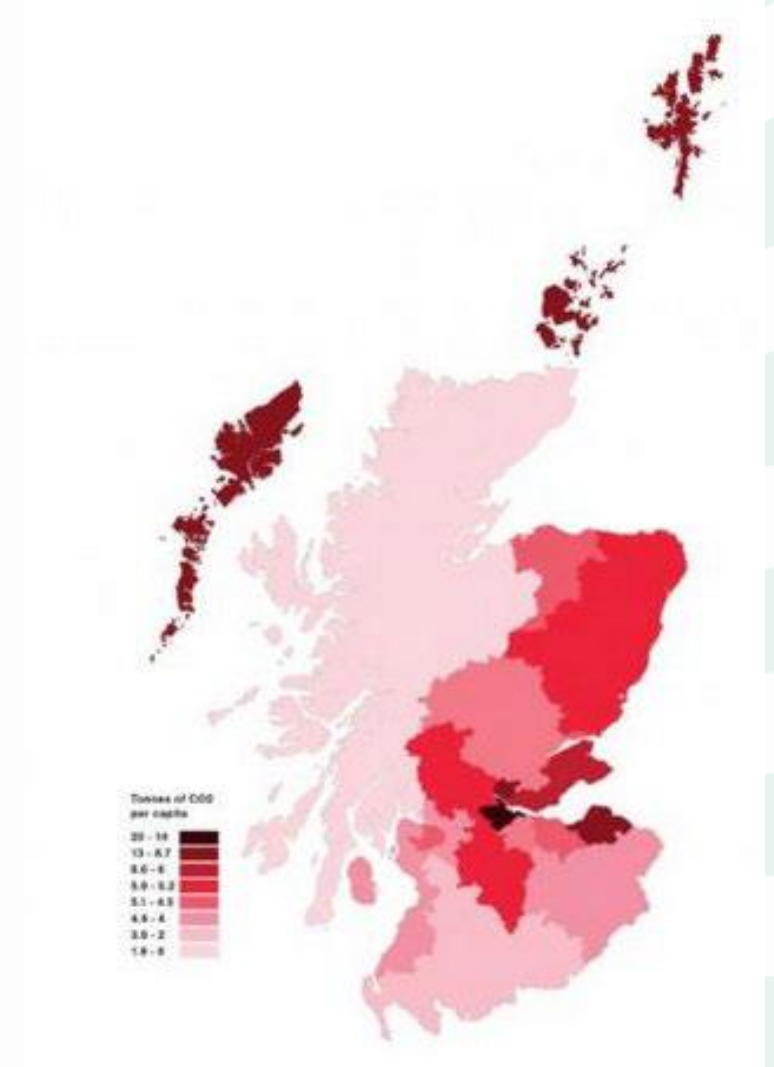
To achieve Scotland's 2045 net zero target, urgent action is needed to decarbonise the Firth of Forth

Companies in Grangemouth alone emit 33% of Scotland's industrial emissions. Across the Outer Boundary, the Firth of Forth accounts for over 40% of Scotland's industrial emissions.

Falkirk Council has the highest emissions per capita of any Scottish local authority, emitting 8% of Scotland's emissions with only 2.9% of the population.

Scotland cannot achieve net zero by 2045 without a credible plan for reducing the emissions intensity of the Firth of Forth.

We believe that the Forth Green Freeport can be the driving force of this plan.

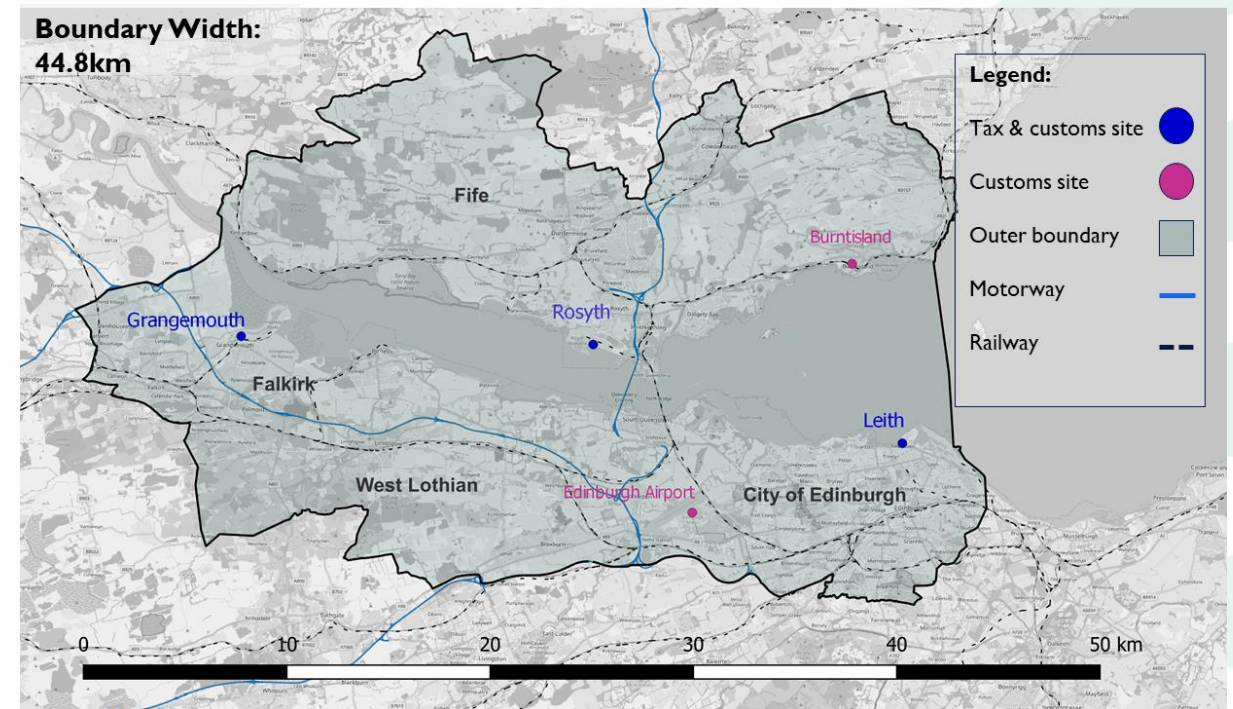


Our planned tax and customs sites will work together to deliver the economic benefits of the net zero transition across the region

The proposed complementary tax sites at Grangemouth, Rosyth, and Leith will provide the space for strategic cluster development in key sectors needed for a just transition.

This will be supported by the trade benefits of customs sites at Edinburgh Airport and Burntisland, providing opportunities for inclusive growth to the North and South of the Forth Estuary, as well as East and West across Central Scotland.

The Forth Green Freeport Governing Body will ensure collaboration across geography and sectors, for example, linking innovative businesses with academia.



The Forth Green Freeport will create a green growth corridor across Central Scotland and beyond

Without an accelerated green pathway for the nation's industrial cluster, skills, people and carbon will drain from the system. Our bid provides underdeveloped land to **sustainably generate green business growth with export potential** through the nation's logistics centre, as Scotland competes with England and northern Europe for international investment.



The Forth Green Freeport will act as a **catalyst for the re-industrialisation of Scotland**, attracting significant investment into key industrial infrastructure for the future economy, and growing an **innovation ecosystem for SMEs** across the Firth of Forth



A successful bid has the ambition to create **high quality, green jobs** in areas of local deprivation across the UK and support skill development for local communities



It will make a major contribution to Scotland's Net Zero carbon emissions target, support innovation in net zero technologies including **offshore wind, hydrogen, and sustainable aviation fuels**, and build Scotland an export base grounded in green growth

The proposed sites will develop complementary innovative clusters to secure this just transition

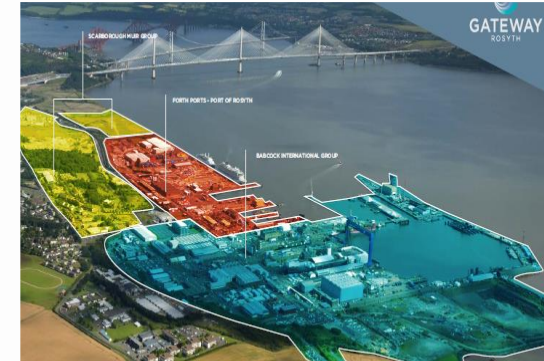
Leith: Create the **nation's largest offshore renewable energy hub**. Delivering new manufacturing facilities, port infrastructure upgrades and green incubators to drive SME and start-up business growth, creating the supply chain and skills development needed to support the renewables sector.



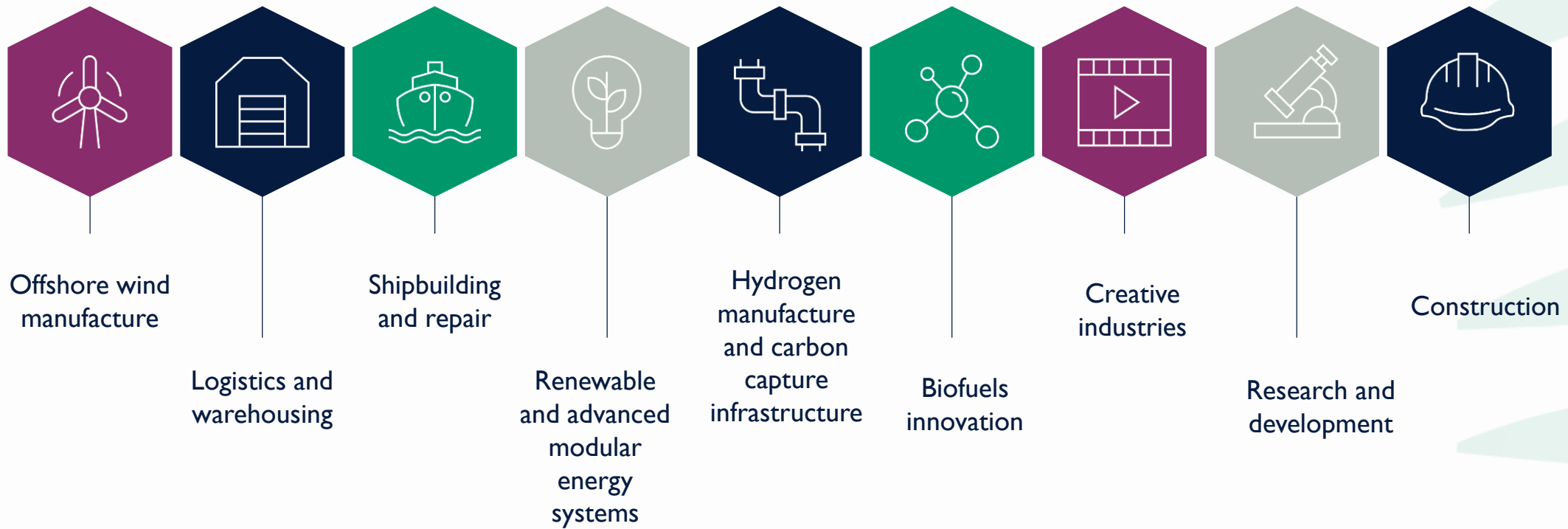
Grangemouth: Build on strengths as **Scotland's largest port** and principal export hub and **regenerate the petrochemical cluster for a net zero transition**, supporting an innovation cluster in clean chemicals such as CO2 utilisation and industrial biotechnology.



Rosyth: Support **large scale digitally enabled manufacturing and shipbuilding**, further developing the Arrol Gibb Innovation Campus, and strengthening the nation's agribulks hub by expanding and creating new trade routes to continental Europe.



We expect these sites to deliver supply chain opportunities in diverse sectors key to Scotland's future growth



Our bid draws together a cohesive partnership between public and private sector partners across the Firth of Forth



FORTH PORTS



trusted to deliver



Falkirk Council

INEOS



Scarborough Muir
Group Ltd



Edinburgh Airport 
Where Scotland meets the world

♦ EDINBURGH ♦
THE CITY OF EDINBURGH COUNCIL





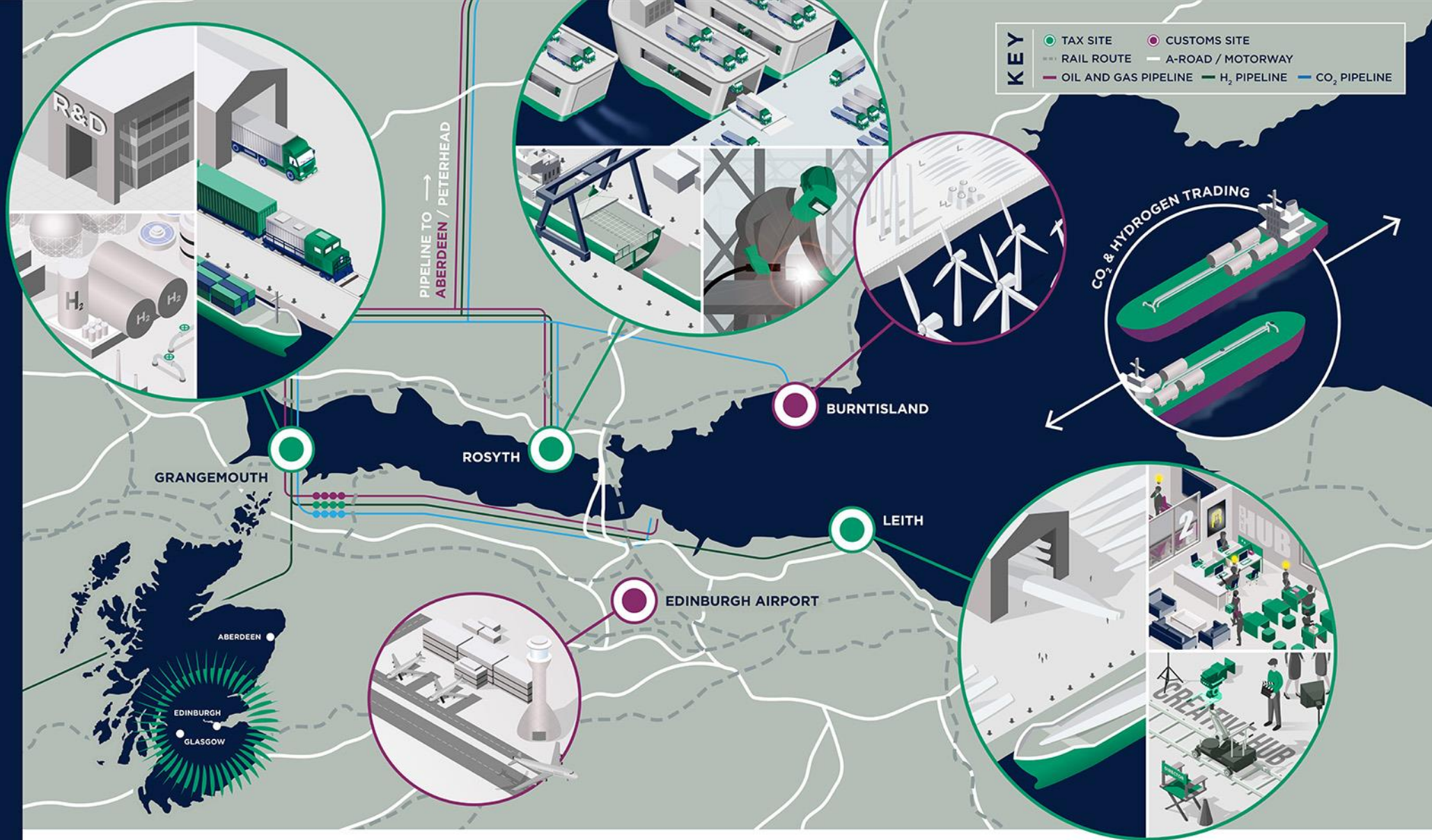
CENTRAL TO SCOTLAND'S GREEN AMBITIONS

2045: ACCELERATING
SCOTLAND'S
NET ZERO TRANSITION

DRIVING:
INNOVATION
& FUTURE SKILLS

QUALITY
WELL PAID JOBS
RELIEVING
DEPRIVATION

£6 BILLION INVESTMENT
550 LAND DEVELOPMENT
HECTARES
50,000 NEW JOBS
£4 BILLION ADDITIONAL GVA



FUTURE SKILLS
FOR GREEN INDUSTRIES



SHIPBUILDING, RENEWABLE
& ADVANCED MANUFACTURING



R&D CENTRES, SME /
START-UP INCUBATOR



HYDROGEN,
BIOFUELS, CO₂



GLOBAL
TRADE HUBS



VR / SIMULATION
TRAINING



CREATIVE
LINK-UP

FORTH
GREEN FREEPORT