

Policy and Sustainability Committee

10.00am, Thursday, 22 August 2024

Forth Green Freeport – full business case

Executive/routine
Wards

Executive
1 – Almond, 13 – Leith

1. Recommendations

- 1.1 It is recommended that Policy and Sustainability Committee:
- 1.1.1 Agrees to endorse the Forth Green Freeport Full Business Case (FBC) and all its annexes for submission to the UK and Scottish Governments;
 - 1.1.2 Agrees that the Chief Executive can agree non-material changes be made to the FBC, should the Forth Green Freeport Governance Board recommend so;
 - 1.1.3 Agrees in principle that the cost of the Council's contribution (£344,970) to the Forth Green Freeport Operating Company for 2024/25, 2025/26, and 2026/27 should be met from the Council's overall non-specific budgetary provision, with these monies to be replenished in full once sufficient retained non-domestic rates income is received;
 - 1.1.4 If Committee agrees recommendation 1.1.3, refers this report to the Council for approval of the use of the Council's non-specific budgetary provision;
 - 1.1.5 Notes that a retained non-domestic rates investment strategy for the Forth Green Freeport was agreed by Finance and Resources Committee on 25 June 2024; and

Paul Lawrence

Chief Executive

Contact: Elin Williamson, Head of Business Growth and Inclusion

E-mail: elin.williamson@edinburgh.gov.uk | Tel: 0131 469 2801

- 1.1.6 Notes that a non-domestic rates relief policy for the Forth Green Freeport is scheduled to be considered by Finance and Resources Committee before the end of this calendar year.

Report

Forth Green Freeport – full business case

2. Executive Summary

- 2.1 This report introduces the Full Business Case (FBC) for the Forth Green Freeport (FGF). Committee is asked to approve the FBC in its current form, and to agree that non-material changes requested by the FGF Board can be agreed by the Chief Executive (if necessary). The finalised document will be presented to the United Kingdom (UK) and Scottish Governments for approval, triggering the release of £24.5m of seed capital.

3. Background

- 3.1 Following the 2019 General Election, the UK Government announced its intention to create up to 10 new “Freeports” across the UK. In 2021, the Scottish Government wrote to the UK Government seeking support for the creation of “green ports” in Scotland. In February 2022, the UK and Scottish Governments jointly announced the intention to create “Green Freeports” in Scotland.
- 3.2 In March 2022, the Scottish Government (in partnership with the UK Government) published a prospectus inviting bids for up to two Green Freeports to be designated in Scotland via a competitive process. As set out in the prospectus, Green Freeports are required to contribute to four key policy objectives:
- 3.2.1 Promoting regeneration and high-quality job creation;
 - 3.2.2 Promoting decarbonisation and a just transition to a net zero economy;
 - 3.2.3 Establishing hubs for global trade and investment; and
 - 3.2.4 Fostering an innovative environment.

- 3.3 A Green Freeport is “a large, zoned area within a defined boundary which includes a rail, sea or airport”.¹ Businesses and operators within a Green Freeport can access various incentives, including:
- 3.3.1 Tax incentives:
 - 3.3.1.1 100% non-domestic rate relief for five years;
 - 3.3.1.2 100% Enhanced Capital Allowances for the first year of qualifying expenditure;
 - 3.3.1.3 10% structures and buildings allowance per annum for 10 years on renovation or construction;
 - 3.3.1.4 No employer National Insurance contributions on salaries up to £25,000 for new hires in the first three years; and
 - 3.3.1.5 Land and building transaction tax relief.
 - 3.3.2 Customs incentives:
 - 3.3.2.1 Duty deferral on goods within customs zones until they leave site;
 - 3.3.2.2 Duty inversion for goods entering customs zone with a higher tariff than the final product;
 - 3.3.2.3 Customs duty exemption on imported goods processed in the Freeport and re-exported;
 - 3.3.2.4 Suspension of import VAT on goods entering the Green Freeport; and
 - 3.3.2.5 Simplified import and export procedures.
 - 3.3.3 Regulatory sandbox;
 - 3.3.4 Simplified planning regimes; and
 - 3.3.5 Up to £25m of seed capital for site preparation and infrastructure in the outer boundary of the Green Freeport area in question.
- 3.4 In response to the prospectus, a public-private consortium was formed to make a bid for a Green Freeport centred on the Firth of Forth: the “Forth Green Freeport” (FGF), including the ports of Burntisland (Fife), Grangemouth (Falkirk), Leith (Edinburgh), and Rosyth (Fife), along with Edinburgh Airport.
- 3.5 The members of the FGF Consortium are Babcock, CalaChem, the City of Edinburgh Council, Edinburgh Airport, Falkirk Council, Fife Council, Forth Ports, INEOS, the Royal Navy, and Scarborough Muir Group.
- 3.6 Following the Council’s agreement to support the [FGF bid](#) on 15 December 2022, the UK and Scottish Governments jointly announced that two bids had been successful: the FGF and the Inverness and Cromarty Firth Green Freeport.

¹ [Source: Scottish Government – Green freeports](#)

- 3.7 The Council agreed on 15 December 2022 that summaries of the Outline Business Case (OBC) and Full Business Case (FBC) should be submitted to Policy and Sustainability Committee for approval prior to those documents being submitted to the UK and Scottish Governments.
- 3.8 On 24 October 2023, Committee approved the submission of an [OBC](#) for the FGF. The OBC was approved by the UK and Scottish Governments in June 2024, and the Tax Sites were designated with effect from 12 June 2024. Work is ongoing to create a Customs Site.
- 3.9 The FGF Consortium is now required to submit a FBC to the UK and Scottish Governments, the approval of which will unlock the seed capital.

4. Main report

- 4.1 The FBC has been drafted by the FGF Consortium. An executive summary is set out at Appendix 1. The full FBC, and the supporting documents, were made available to Councillors in a data room (held in the City Chambers on 6, 8, 14, and 16 August 2024).
- 4.2 The FBC does not significantly deviate from the initial bid proposal or OBC and should be seen as an extension of the latter rather than a rewrite of it/new document. It is structured around the HM Treasury "[five cases](#)" model and key points from each case are summarised below.

Strategic Case

- 4.3 The FGF is a major opportunity to deliver a just transition to net zero, attract significant inward investment, build international trade and export capability, foster innovation, promote regeneration, and create high-quality, well-paid jobs. It is expected to drive £7.9bn of private and public investment, deliver £8.1bn of gross value added, and create up to 34,500 jobs. It will complement and build upon existing initiatives in areas such as decarbonisation, regeneration, innovation, and investment promotion.

Economic Case

- 4.4 Six critical success factors for the FGF have been identified: strategic fit with policy objectives; value for money; capacity and capability; achievability; affordability/cost; and alignment with net zero.
- 4.5 These factors were used to appraise the long-list of potential projects to be supported via seed capital. This exercise identified four shortlisted/priority projects: land preparation at Port of Leith; Integrated Energy System at Babcock's facility in Rosyth; utility capacity at Forth Ports' facility in Grangemouth; and land preparation for INEOS' low carbon hydrogen production facility.
- 4.6 The "maximum ask" scenario – comprising the four shortlisted projects and other projects to a total value of £24.5m – returned a benefit/cost ratio of 3.37 and a net present public value of £128.2m, compared to 3.39 and £108.7m for the "minimum

viable" scenario (comprising solely the four shortlisted projects), and 3.17 and £61.8m for the "no seed capital" scenario.

Financial case

- 4.7 The £24.5m of seed capital is expected to leverage in a further £8m of public funding and £64.4m of private funding, representing a total spend on seed capital projects of circa £96.9m.
- 4.8 A 10-year budget forecast for the FGF is set out, which entails landowners making an annual financial contribution of circa £1,000 per Tax Site hectare, supplemented by contributions from the three local authorities, resource departmental expenditure limit (RDEL) funding, and other sources.

Commercial case

- 4.9 The process for procuring works to the three FGF Tax Sites is set out. Procurement will be undertaken by a mix of private landowners and other sponsors, including the public sector, and will align with general public procurement rules.

Management case

- 4.10 This case establishes the arrangements for management and governance of the FGF and does not deviate significantly from what was set out at OBC stage. As set out in section 9, the FGF will be delivered via Forth Green Freeport Operating Ltd ("FGF Operating Ltd"), under the oversight of its parent company Forth Green Freeport Ltd ("FGF Ltd").
- 4.11 FGF Ltd is a company limited by Guarantee. The Council is one of the Members and Councillor Cammy Day is the Council's nominated Director. One of the key areas of responsibility for FGF Ltd is to oversee investors' agreements and continued compliance with the agreed Investment Principles. Agreement of potential investors must be a unanimous decision by the whole FGF Board. Furthermore, ongoing reviews of investors are undertaken and if there is an indication that an existing investor is not compliant with the Investment Principles, any FGF Board member can request that an investigation into the investor is undertaken.
- 4.12 The functions of FGF Operating Ltd will include: marketing and promotion of the FGF; financial compliance and audit; reporting; monitoring and evaluation; and relationship building. A Chief Executive has been recruited for the FGF Operating Ltd, and Sarah Murray will take up her post in the end of August 2024. It is anticipated that the remaining posts: a Trade and Investment Manager, a Fair Work and Skills Manager and a Net Zero and Innovations manager, will be recruited before the year end.
- 4.13 The seven working groups that have led on the development of the FGF OBC/FBC are transitioning into thematic sub-committees of the FGF Ltd which will provide support on an ongoing basis, with additional sub-committees being formed as and when required.

Benefits for Edinburgh

- 4.14 The following paragraphs highlight the key benefits for Edinburgh.
- 4.15 The Port of Leith forms part of the Mid-Forth Tax Site. The associated tax incentives (as set out at paragraph 3.3.1) are expected to drive large-scale investment in the Port of Leith, leading to its emergence as the Leith Renewables Hub, a centre for offshore wind manufacturing and logistics. There is already confirmed interest from potential anchor original equipment manufacturers (such as the Danish wind turbine blade manufacturer Vestas), and there are plans to allocate spaces for small and medium-sized enterprises (SMEs) creating opportunities on-site for tier 1/2/3 suppliers.
- 4.16 The approval of the FBC will unlock £24.5m of seed capital from the UK and Scottish Governments. Part of this will be utilised for land preparation works to unlock investment in creating a 30-hectare turbine laydown and logistics facility at the Port of Leith.
- 4.17 The Port of Leith is also planned to host a new creative industry hub, building on Leith's longstanding strengths as a creative hub, including the FirstStage Studios complex.
- 4.18 Edinburgh Airport will be a designated Customs Site (as set out at paragraph 3.3.2). This will complement the Airport's plans to create a Global Air Park; a logistics park geared towards international trade. The Airport has the potential to grow as an export hub servicing the growth markets of e-commerce, perishables, and pharmaceuticals.
- 4.19 A Skills Plan will be implemented to equip people with the skills required to access the new jobs the FGF will create. To support implementation of the Skills Plan, a Skills Fund will be created, capitalised via employers contributing 5% of the Employer National Insurance Contribution relief they benefit from, with an opportunity for the Council to add to this. This will help improve skills and reduce un/under-employment in Edinburgh.
- 4.20 The ability for the Council to retain any net additional non-domestic rates (NDR) from within the Port of Leith section of the Mid-Forth Tax Site over the period 2024/25 to 2048/49. It is currently projected that the Council will receive approximately £107m over the period, albeit it is not forecast that there will be significant income available until 2027/28. An [investment strategy](#) setting out the process for utilising these monies along with provisional allocations (in line the eligible uses specified by the Scottish Government) was approved by Finance and Resources Committee on 25 June 2024.
- 4.21 Overall, the FGF is projected to support 34,500 jobs (16,000 of them direct and the remainder via supply chain effects and expenditure by workers). Edinburgh is expected to benefit from significant job creation as well as improvements in areas such as skills, innovation, and the growth of key sectors.

5. Next Steps

- 5.1 Should Committee agree the recommendations in this report, the FBC will go to FGF Ltd for final approval and be submitted to the UK and Scottish Governments on 30 August 2024.
- 5.2 Upon UK and Scottish Government approval of the FBC, the seed capital will be released. The Council will not itself administer or receive any seed capital but will support this via its ongoing role in the FGF Consortium.
- 5.3 Delivery of seed capital projects would begin shortly thereafter, likely in January 2025.
- 5.4 The Council will continue to support the delivery of the FGF, including:
 - 5.4.1 Delivering the Skills Plan;
 - 5.4.2 Inputting into trade and investment promotional activity; and
 - 5.4.3 Preparing annual Investment Plans setting out proposals for the utilisation of retained NDR, coordinated with Falkirk and Fife Councils.

6. Financial impact

- 6.1 As noted in paragraph 4.2, the FBC is required in order to unlock £24.5m of seed capital from the UK and Scottish Governments. For avoidance of doubt, the Council will not directly benefit from this funding, however, and as set out in paragraph 3.4.2, this funding will unlock the development of land at the Port of Leith.
- 6.2 The Council's costs associated with the FGF to date have been met from its share of the RDEL funding granted to the FGF Consortium, supplemented by existing revenue budgets.
- 6.3 The Council's expected ongoing costs in relation to the FGF will be its contribution towards the running costs of FGF Operating Ltd (which are to be shared amongst all the FGF Consortium members) and a range of internal costs associated with the administration of the FGF. These contributions are required from 2024/25. However, retained NDR are not expected to materialise until 2026/27.
- 6.4 To address this gap, it is proposed to utilise £344,970 from the Council's overall non-specific budgetary provision over three years. This money should be replenished in full once sufficient retained NDR is received, as set out in the table below. In the event that the gap is larger than forecast (e.g. due to retained NDR being generated later than anticipated), the increased gap would require a further drawdown from the Council's overall non-specific budgetary provision which would also be repaid upon receipt of retained NDR.

Projection	2024/25	2025/26	2026/27	2027/28	Total
Income	£0	£0	£143,534	£3,659,879	£3,803,413

External Costs	£61,321	£82,941	£84,242	£85,776	£314,280
Internal Costs	£50,000	£100,000	£110,000	£120,000	£380,000
(Gap)/surplus	(£111,321)	(£182,941)	(£50,708)	£3,454,103	£3,109,133
Contribution from/(to) the Council's overall non-specific budgetary provision	£111,321	£182,941	£50,708	(£344,970)	£0

6.5 As noted, the Council will retain any net additional NDR from within the Port of Leith section of the Mid-Forth Tax Site over the period 2024/25 to 2048/49. It is currently projected that the Council will receive approximately £107m over the period. The Investment Strategy setting out the process for utilising these monies along with provisional allocations (in line the eligible uses specified by the Scottish Government) was approved by Finance and Resources Committee on 25 June 2024.

7. Equality and Poverty Impact

- 7.1 A key theme of the FGF is creating opportunities for people and communities who have been “left behind” by the economic growth of the FGF sites. As part of this, the FGF will provide facilities for upskilling and re-skilling people of all ages and from a range of socio-economic backgrounds, in addition to extending the capabilities of SMEs to drive inclusive economic growth.
- 7.2 A new Skills Fund will be created to help people acquire the skills needed to access the employment opportunities the FGF will create, complementing existing employability and skills funding provisions (such as No One Left Behind and the UK Shared Prosperity Fund).
- 7.3 FGF will prioritise protected groups in benefiting from the investments secured by FGF levers. Activities will include:
- 7.3.1 Support for young people via school outreach, apprenticeships, scholarships, and bursaries;
 - 7.3.2 Disability-inclusive hiring practices, together with access to funding for skills bursaries; and
 - 7.3.3 Prioritising access to funding for skills bursaries for women.
- 7.4 Investors will be required to sign up to the FGF Fair Work Charter.
- 7.5 The retained NDR investment strategy earmarks 10% of retained NDR over the period 2024/25 to 2048/49 for projects aligned to the strategic investment theme of “fair work and skills”. Based on projections, this would translate to £10.5m, averaging circa £420,000 per annum. This would provide additional resource for

projects helping people improve their skills and addressing barriers to employment, thus reducing un/under-employment.

- 7.6 The investment plan further allocates 40% of retained NDR to the theme of “regeneration (including enabling affordable housing)”, translating to £42.0m, or £1.7m per annum. This would provide additional resource for the development of affordable housing in Edinburgh.

8. Climate and Nature Emergency Implications

- 8.1 A decarbonisation plan has been prepared as an annex to the FBC setting out how the FGF is envisaged as making a meaningful contribution to the target of Scotland becoming net zero by 2045. Elements of this plan include:
- 8.1.1 Requiring investors to sign up to the FGF Net Zero Charter;
 - 8.1.2 Utilisation of onsite renewable technologies;
 - 8.1.3 Carrying out research and development into new and improved clean technologies;
 - 8.1.4 Attracting additional “green” investment;
 - 8.1.5 Requiring developers within FGF sites to adopt plans for whole life cycle carbon management using industry best practice, such as PAS 2080;
 - 8.1.6 Settings targets around operational energy consumption and embodied carbon in construction materials; and
 - 8.1.7 Requiring activities supported by the FGF, e.g. via seed capital, to align procurement practices to the Procurement Reform (Scotland) Act 2014 and prioritise sustainability and carbon reduction.
- 8.2 The retained NDR investment strategy earmarks 10% of retained NDR over the period 2024/25 to 2048/49 for projects aligned to the strategic investment theme of “energy efficiency and heat decarbonisation”. Based on projections, this would translate to £10.5m, averaging circa £420,000 per annum. This would provide additional resource for projects helping addressing climate change by reducing carbon emissions.
- 8.3 The Investment Plan further allocates 20% of retained non-domestic rates to the theme of “enabling and coastal infrastructure”, translating to £21.0m, or £839,000 per annum. This funding could potentially be used to fund works associated with improving the resilience of coastal communities, such as flood defences.

9. Risk, policy, compliance, governance and community impact

- 9.1 The structure that has been developed for the ongoing activity consists of FGF Ltd (company number SC800460, incorporated on 26 February 2024) and FGF Operating Ltd (company number SC810561, incorporated on 15 May 2024). FGF

Ltd will serve as the governance board for the FGF, setting its strategic direction, while FGF Operating Ltd will implement the day-to-day activity workings of the FGF.

- 9.2 The Council Leader holds one of the directorships of FGF Ltd. In total there are four public sector directors, four private sector directions, and an independent Chair.
- 9.3 Falkirk Council is the Accountable Body for the FGF and therefore supports the Chair of FGF Ltd to manage governance. The Council will support Falkirk Council with this function as required.
- 9.4 Once the FGF is operational, it is envisaged that annual reports will be submitted to Governance, Risk and Best Value Committee, outlining activities undertaken and officers' assessment of the efficiency and efficacy of the FGF.
- 9.5 The retained NDR investment strategy earmarks 15% of retained NDR over the period 2024/25 to 2048/49 for projects aligned to the strategic investment theme of "placemaking". Based on projections, this would translate to £15.7m, averaging circa £630,000 per annum. This would provide resource for a variety of projects aimed at benefiting local communities, for example upgrading community facilities and local green spaces.

10. Background reading/external references

- 10.1 [Forth Green Freeport Bid](#) – report to Edinburgh and South East Scotland City Region Deal Joint Committee, 24 June 2022
- 10.2 [Forth Green Freeport](#) – report to Policy and Sustainability Committee, 17 November 2022
- 10.3 [Forth Green Freeport](#) – report to the City of Edinburgh Council, 15 December 2022
- 10.4 [Fair Work, Gig Economy, and Living Hours City](#) – progress update – report to the Housing, Homelessness, and Fair Work Committee, 8 August 2023
- 10.5 [Forth Green Freeport – Outline Business Case](#) – report to Policy and Sustainability Committee, 24 October 2023
- 10.6 [Forth Green Freeport Governance Board Representative](#) – report to the City of Edinburgh Council, 14 December 2023
- 10.7 [Forth Green Freeport – non-domestic rates relief and retained non-domestic rates Investment Strategy](#) – report to Finance and Resources Committee, 25 June 2024

11. Appendices

Appendix 1: Forth Green Freeport full business case executive summary

F^{OR}TH GREEN FREEPORT

Full Business Case Executive Summary

 <p>Scottish Government Riaghaltas na h-Alba gov.scot</p>	 <p>UK Government</p>	<p>Building the future <u>UK Freeports</u></p>
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Full Business Case

Executive Summary

1. Introduction

The Forth Green Freeport (FGF) was shortlisted by the Scottish and UK Governments on 13th January 2023, following a competitive bid process to identify potential Green Freeports in Scotland. The FGF consortium of public and private sector partners worked together to submit an Outline Business Case (OBC) in November 2023. The OBC was approved by the two Governments in May and the FGF Tax Sites were designated on the 12th of June 2024. The final step in the business development process is the submission of a Full Business Case (FBC), the approval of which will unlock seed funding made available by the Scottish and UK Governments to address infrastructure gaps in Green Freeport locations and create the right physical conditions to encourage private sector investment.

The FGF consortium partners are Forth Ports, INEOS, Babcock International, Scarborough Muir Group, CalaChem, the Ministry of Defence, Edinburgh Airport, Falkirk Council, City of Edinburgh Council and Fife Council.

The FGF Tax Sites are located within the Port and adjacent areas of Grangemouth, Leith, Rosyth and Burntisland, with the FGF Outer Boundary extending into Falkirk, Edinburgh and Fife. Tax incentives and FGF support are available to new investors and investments within the tax sites, whilst custom benefits can be claimed by any eligible business in the Outer Boundary. Investment funding from retained Non-Domestic Rates (NDR), aligned with both FGF and local Council priorities can be used within the Outer Boundary and travel- to- work areas of the FGF.

2. Strategic Case

The Strategic Case of the FBC makes the case for change and demonstrates how the FGF fits with the Green Freeport Strategy.

2.1 Strategic Rationale

The FBC demonstrates that FGF is the right public intervention given the geography of the Forth Estuary and the partners involved. The FGF aims to deliver sustainable inclusive growth across Central Scotland and beyond by targeting green industry sectors that complement existing business, developing the skills to support them and the use of net zero technologies. It provides incentives to regenerate brownfield sites close to areas of multiple deprivation, supporting the development of green industries and offering local populations opportunities through learning and development to benefit from emerging skilled jobs.

FGF supports the new UK Government's priorities, including the clean power mission, and the Scottish Government's National Strategy for Economic Transformation. In doing so, the FGF will be creating high-skilled, well-paid jobs in areas with higher-than-average levels of deprivation and poverty and support Scotland's target of achieving Net Zero by 2045.

FGF is Scotland's largest opportunity to;

- deliver a just transition to net zero
- to attract significant inward investment
- build international trade and export capability
- foster an innovative environment
- and to promote regeneration and create high-quality, well-paid jobs.

An economic impact assessment of FGF, has projected that the FGF will drive almost £7.9bn of private and public investment over a 10-year period, delivering gross value added of an estimated £8.1bn and creating up to 34,500 jobs (gross). Scotland is on the cusp of re-industrialisation around renewable energy. The FGF provides a coherent, joined-up

approach to this, encompassing education, skills, access to funding and finance, tax policy, regulation, investment and an outward focus for Central Scotland and the wider world.

The consortium's vision for the FGF recognises the critical importance of reducing industrial carbon emissions in the Forth Estuary. The Green Freeport status will attract the right investments in green energy and industry into the Estuary to address the 2045 Net Zero target, whilst contributing to the economy. The positive ambition is to deliver a just transition for Scotland's industrial heartland, through a green reindustrialised future. The Forth Estuary is already a physical asset – one of scale and with businesses of international acclaim and is an area that can both influence and lead.

Without this intervention, we run the risk that, over the long term, the existing fossil fuel-based industries will not be replaced by inward investment in new greener industries and the associated jobs that go with this. This risk has been emphasised by Petroineos announcing a project to enhance fuel import capability, in readiness for stopping fossil-fuel refining at Grangemouth, when this becomes sub-economic.

High levels of uncertainty in energy markets, both in terms of demand and supply of green energy and the risks associated with high innovation technologies, make the commercial viability of capital investment difficult. This challenge is compounded by the fact that green energy investments are typically capital-intensive and require substantial up-front investments. In contrast, hydrocarbon energy production involves significant fuel costs that are incurred throughout the operational life of the asset.

The Forth Estuary is already a significant asset, boasting scale and internationally acclaimed businesses, and it is well positioned to influence and lead through sustainable reindustrialisation and transformational growth. To support this, FGF will develop and make available 533 hectares of industrial land, providing the necessary infrastructure to attract investment. In doing so, the FGF will make the Forth Estuary a place where significant levels of green energy investment can occur by bringing together a package of Green Freeport levers which incentivise capital investment alongside the strength of its existing energy infrastructure, including deep-water and proximity to floating offshore windfarms (FLOW) locations.

Green Freeport levers will facilitate a refocus of this world-leading infrastructure and expertise into developing essential innovations, including hydrogen and biofuels. Green Freeport status attracts a range of tax and customs incentives and access to other levers such as planning support, marketing and promotion, collaboration with government agencies and private sector investment. With investment proposals which utilise £24.5m of seed funding, the FGF will provide investment ready Tax Sites which, with Customs Sites and planning support, will create a more attractive ecosystem for future inward investment and trade opportunities.

In addition to this, locally retained NDR of circa £364.5m, will be available for reinvestment by the local Councils to support business, and economic infrastructure in the area.

2.1a Benefits to Communities

The FGF bid (2022) recognised that the port-adjacent communities of Grangemouth, Rosyth, Burntisland and Leith face stronger adversities from the proximity of industry and that levels of deprivation indicate that these communities do not always benefit in proportion to the wealth created in their locality. The FGF aims to redress this through a number of initiatives, including a mandatory Fair Work Charter, a Skills Plan which focuses on supporting local residents into newly created jobs and Place Based Investment Funding.

The areas closest to the FGF Tax Sites (Grangemouth, Rosyth Burntisland and Leith) have issues with the lack of new industry coming onto sites leaving blighted land and a sense of dereliction in some areas. This impacts not only financially on local people but also psychologically where the empty sites may cause a level of depression and feelings of being left behind.

This issue is not only related to employment but also significant income and skills deprivation. With a scarcity of high- skilled, well-paying jobs and opportunities to develop new skills is limited, local people face the choice of travelling or relocating to find employment or managing on a reduced income. The FGF will provide opportunities for skilled jobs and training locally where they are most needed. In the medium to long term, this will increase the area's earning potential, generate wealth that circulates locally and improve the environment for entire communities.

The Procurement Strategy of the FGF provides an opportunity for partners to include community benefits from all contracts agreed through the FGF. Examples may include schools outreach and work placements and are a pre-requisite of any business contracting via the Accountable Body.

Alignment with wider interventions supports local communities with place led interventions that will enhance community infrastructure and / or mitigate any disruption caused by additional activity created by the growth of the Green Freeport.

2.1b Fair Work and Skills

The FGF Skills Plan will help communities access jobs created by Green Freeport levers. It will enhance the local skills base, equip workers of all backgrounds with the future-ready skills to support commercial expansion, and drive sustained increases in productivity.

A Fair Work Charter will underpin the focus on supporting the workers employed within the Tax Sites and is based on the principles of the Scottish Government's Fair Work First guidance.

2.1c Net Zero

FGF is the most cost-effective route to support Scotland's Net Zero ambitions, tackling the issue that the area within the FGF boundary currently generates approximately 40% of Scotland's industrial emissions.

The FGF aim is to support the delivery of a just transition for Scotland's industrial heartland, through a green, reindustrialised future economy, and to support communities who can benefit from the resultant economic growth through training for enhanced skills, improved environmental conditions and greater access to high quality, green focussed, long-term jobs.

Green Freeport seed funding will unlock investment by bridging viability gaps and allow enabling works to take place. This will make the FGF tax sites attractive to new business and create a launch pad for regeneration, minimising the risk of displacement by targeting investment opportunities which require the specific infrastructure and expertise available at the tax sites.

Using Green Freeport status, the FGF will support the right investments into the Forth Estuary to address the Scottish Government 2045 Net Zero target and the new UK Government's priorities, including the clean power mission.

The FGF tax and investment benefits – particularly those focused on capital investment – offer the platform to encourage green investment. Without this, achieving the 2045 Net Zero target would be more challenging and require other forms of support, which may not provide the co-ordinated focus on the Forth Estuary that the FGF offers.

2.1d Local and National Development Plans

The FGF aligns with Local Development Plans which provide a supportive policy framework for decision making. The Fife Plan (2017) proposals map identifies employment sites at the Rosyth Waterfront and the Falkirk LDP2 (2020) identifies sites in Grangemouth for port logistics business and industry. Both Fife and Falkirk Council have commenced preparation of their next Local Development Plans. These plans are expected to be adopted in 2027. Edinburgh's City Plan 2030 is now with Scottish Ministers, awaiting confirmation of whether it can be adopted.

The National Planning Framework 4 (NPF4) includes:

- Edinburgh Waterfront - supporting new and/or upgraded port facilities; as well as new and/or upgraded buildings for commercial, industrial and business use.
- Industrial Green Transition Zones supporting a range of development commensurate with the FGF developments at Grangemouth.

2.1e Strategic interdependencies

Delivery of FGF has dependencies as follows:

- Securing the Green Freeport seed capital for the development of the Tax and Customs sites at Grangemouth, Rosyth and Mid-Forth (Leith and Burntisland)
- Securing relevant regulatory and planning consents
- Commitments from all partners on the shared vision
- Subsidy control relating to Green Freeport site owners and occupiers and legal obligations for Local Authorities awarding the subsidy
- Allocation of FGF interventions to secure immediate agreements with commercial tenants looking to invest and develop facilities within Grangemouth, Rosyth and Mid-Forth Tax sites

- A pipeline of projects to be delivered by FGF and other partners, making use of retained business rates income
- Expansion of the labour market available to support business and economic growth, by investing in skills and educational initiatives
- The close collaboration with other significant interventions by Public Bodies and businesses within the locality of FGF to ensure the maximum benefit for the area is achieved

2.2 Strategic Focus

The economic renaissance of the Forth Estuary will be driven by green growth, net zero energy innovation, sustainable infrastructure and new fuel production with a focus on achieving increased regional economic prosperity. Much of this has, to date been managed and overseen through individual councils and businesses working independently for the benefit of their communities and stakeholders but without the financial levers to drive the local economies forward.

By utilising the Green Freeport support available, FGF will deliver, at pace, credible investors for large underdeveloped industrial sites, with a natural focus on new investment in sectors with strong trade potential. The tax benefits available to investors at Grangemouth, Rosyth, and Mid-Forth tax sites, will be critical in securing additional inward investment.

In addition to this, major investments in new industries will attract small and medium sized enterprise (SME) activity at zoned areas within FGF sites as well as within the outer boundary. New investments will stimulate growth in trade and plans for additional logistics and trade capacity critical to ensuring enough supply and the right infrastructure is in place to deliver the increased activity in existing and new industries.

The FGF intervention has strong links to, and will work with, Edinburgh and South-East Scotland's Edinburgh City Region Deal and Falkirk Growth Deal to ensure the projects that are either strategically supporting or geographically close work together to maximise their combined potential.

2.2a Strategic Strengths

The FGF operational area, located in the central belt of Scotland, serve as an enhanced global hub for trade and investment. The FGF focus on port areas and their immediate hinterlands is based on the key sectors of logistics, industrial chemical processes, advanced manufacturing and shipbuilding. The FGF is ideally positioned to support transportation of goods and services from Scotland with ease of access to Edinburgh Airport and the Seaports of Grangemouth, Rosyth and Burntisland. Geographically its outer boundary, approved by HMRC in May 2024, encompasses a 45km-wide corridor of sites of national economic significance along the Forth Estuary. With more than 70% of Scotland's population living within an hour's travel of the outer boundary and world-leading universities, and colleges, there is opportunity to transform large-scale manufacturing through innovation and skills development.

The outer boundary represents an existing cohesive economic geography, encompassing trade, labour, and products flows and encouraging further collaboration between both FGF and external sites will drive prosperity across Scotland as a whole. The main arterial road and rail links will maximise connectivity with strategically important sites outside the intervention boundary. The rail and road (M8, M9, M90, M976) networks, provide access to employment opportunities for residents across Central Scotland and increased trade and economic activity.

The strategic location of the Tax Sites uniquely positions the FGF to be a central hub of Net Zero supporting manufacturing capability along the UK's East coast, with proximity to maritime installation sites including offshore wind and strategic links to other sites including net zero-focused Freeports in Teesside and the Humber, and links to Dundee and Aberdeen.

The Forth Estuary is not only an industrial space with prospects of growing the new industrial revolution. It is also an important place for living and working and is the home to UNESCO World Heritage Sites (within Edinburgh and the Forth Bridges). In addition, it is a marine Special Protection Area (SPA), an international designation which protects important bird species, and most of the coastline and the islands are legally protected by national and international wildlife designations. The Sites of Special Scientific Interest (SSSI) protect nationally important habitats, species and geology, and the Isle of May is a Special Area of Conservation (SAC) thanks to its status as the largest East coast breeding colony of grey seals in Scotland. These habitats not only bring beauty and life to the landscape, but offer exciting opportunities including sustainable flood management, climate change mitigation and potential for recreation, tourism and education-providing real, measurable benefits for the people of the Forth. The FGF proposals includes enhancing the

communities and places within the vicinity of the FGF and minimise any additional impact of industry on residents, built heritage and habitats.

FGF has identified seven important growth clusters that have the potential to make a significant impact on our local and national economy. These will enable developments of a type and scale to generate sustainable trade growth, support the internationalisation of our economy and enable all-round transformational and regenerative change.

Developing these clusters will drive competitiveness and investment and increase high value and high skilled employment.

The priority clusters FGF activity will focus on are:

- Offshore wind (Leith, Rosyth and Burntisland)
- Alternative fuels (Grangemouth)
- Modular manufacturing (Rosyth and Grangemouth)
- Shipbuilding (Rosyth)
- Chemicals (Grangemouth)
- Logistics & warehousing (All Tax Sites)
- Creative industries (Leith)

The clusters represent the best opportunities in terms of scale and strategic alignment to policy and existing assets/ecosystems. Critically, these clusters represent the areas of the economy that will be at the forefront of addressing current and future environmental challenges including the just transition to Net Zero.

The tax sites, customs sites, and seed capital projects will complement one another. Anchored by major companies and organisations along the Forth Estuary, such as INEOS, Babcock International and Forth Ports, the projects will develop new sites from under-developed land supported by fiscal benefits for investors. The benefits of clustering and co-location will help attract and accelerate investment and economic growth. These anchor institutions will create opportunities for synergies and collaboration for the market, particularly in the green energy sectors. They will create an industrial ecosystem by attracting different suppliers and service providers with secondary and tertiary supply chains. This will create

new and added value for the FGF hinterland (outer boundary) areas which include North Edinburgh, Forth Valley, Mid-Fife, and other parts of east central Scotland.

2.3 Interventions and Levers

Green Freeport status brings a range of benefits, including tax and customs incentives and access to other levers, such as planning support, marketing and promotion support, collaboration with government agencies, access to up to £25m of seed funding, and locally retained NDR for reinvestment. This comprehensive toolkit makes Green Freeports more attractive propositions for inward investment and trade, thus encouraging new or additional industrial activity to the identified tax sites at Grangemouth, Rosyth, Mid-Forth and proposed customs sites at Grangemouth and Leith.

2.3a Seed Capital

The FGF Tax Sites have undeveloped sites that have hosted heavy industry in the past, such as petrochemicals, wharfage, and shipbuilding. These sites provide an opportunity to deliver jobs, economic growth and sustainable business energy solutions in line with local and national strategies but cannot be used for new activities and job creation without significant site preparation by the present-day owners. The FGF seed capital projects focus on the preparation and creation of the sites and the provision of high skill / innovative clusters and sufficient utilities, all of which are needed ahead of investment.

When the FGF is fully operational, the sectors present in the Forth will have extensive supply chains across Scotland and the wider UK. The seed capital projects have been aligned with key economic development and proposed place-based regeneration funding activity.

The FGF seed capital proposals have been selected to satisfy guiding principles with proposals grouped and assessed as follows:

- Enabling transition to Net Zero
- Regional infrastructure
- Building resilient and sustainable places
- Driving sustainable economic growth
- Locational benefits or site-specific needs

Assessment and prioritisation of proposals was undertaken on this basis, aligned and in line with the application of the Scottish Government Investment Hierarchy approach.

Local authority partners considered each proposal and associated FGF criteria. Four projects were identified as the core focus, to meet FGF objectives.

These are:

- Forth Ports Leith land preparation
- Babcock integrated energy system
- Grangemouth utility capacity
- INEOS low carbon hydrogen preparation

The minimum ask of Government is for £17.9m of seed funding for these projects and this would attract match funding of at least £17.9m from private sector partners.

The granting of the maximum ask of £24.5m will enable inclusion of 6 other seed capital projects. These include further innovation development in Rosyth and additional infrastructure for low-carbon production and utility upgrades in Grangemouth. The total cost of these projects is £6.6 million, with partner match-funding of £12.9m.

2.3b Tax and Custom Sites

Tax relief often influences international companies' decision-making by reducing costs, improving cash flows, and mitigating risk. These commitments from the UK and Scottish Governments signal a supportive business environment and continued public sector support to promote economic growth. The FGF Economic Case outlines that tax benefits are typically worth over 7% of a typical FGF private capital investment representing a significant determinant of investment viability, if applied.

There are three approved tax sites spanning 533ha along the Forth Estuary. These are Grangemouth, Rosyth and Mid-Forth.

The FGF tax site management strategy, uses Investment Principles as a gateway policy and contractual agreements to ensure that landowners and investors align with the FGF's target sector/s. The Investment Principles specify that businesses located in the three designated tax sites will sign agreements that ensure obligations are met regarding reporting and monitoring and evaluation, as well as ensure that they are aware of and comply with subsidy control obligations. The efficacy of the Investment Principles will be monitored by the landowners, and the FGF Operating Company, (OpCo)¹ reporting to the FGF Governance Board and the Accountable Body (Falkirk Council).

The use of Green Freeport customs special procedures is available to new or existing eligible businesses within the FGF outer boundary, and it is expected to support SMEs who have not previously had the resource or expertise to utilise customs special procedures. This will boost sustainable international trade from existing clusters, building upon where outer boundary partners have existing strengths in serving the domestic market, parlaying these into exports by using Green Freeport customs benefits to make it easier and cheaper for them to export.

The influence of these tax and customs benefits available to potential investors will be reinforced by the trade and investment (T&I) support provided as part of the Green Freeport. Effective marketing campaigns and a cohesive brand will raise awareness around the Forth's unique value proposition, including our skilled workforce, engineering expertise, and strategic location in the heart of Scotland.

2.3c Trade and Investment Promotion

T&I is at the very heart of both the purpose and objectives of FGF. It is inward, private sector investment into the FGF tax sites and surrounding area that will be the driver of the wider economic and societal benefits of the Green Freeport, and therefore a key determining factor in the success of the intervention. The Green Freeport programme includes powerful levers to drive trade and investment in the FGF area, including:

- Tax and customs incentives to make investment in the FGF more commercially attractive;
- Early investment of seed capital, and a continuing valuable stream of NDR which could be used to fund programmes, such as skills and supporting infrastructure;
- A T&I programme, designed to promote the FGF to potential investors and other stakeholders; and,

¹ See section 6 Management Case for Governance structure

- Facilitating cross stakeholder collaboration and data sharing in planning and presenting a consistent message to the respective Councils as local planning authorities.

The FGF T&I Strategy clearly outlines the target sectors and markets as well as the associated service requirements of those sectors and markets. To support both the realisation of investments within the Green Freeport as well as the ongoing delivery of economic outputs against those investments the FGF will offer a range of support mechanisms, which fall into two categories:

- Financial incentives and support such as Seed Capital, Tax Benefits and Retained Rates investment; and,
- FGF support initiatives such as T&I promotion, Investor Gateway Policy and engagement with wider Government policy initiatives.

To ensure the Green Freeport opportunities are maximised a series of supporting strategies/plans have been developed, which cover both the use of financial incentives and the FGF specific initiatives. These plans and strategies include the following, and between them encompass the FGF support model:

- **Green Freeport, Local and national levers and initiatives** – Clear signposting to local and national agencies providing incentives and business support networks combined with an outline of the Green Freeport specific levers and incentives;
- **Investment promotion plan** – proposals to promote investment opportunities within the FGF, including facilitating targeted initiatives such as those being developed by the Department for Business and Trade(DBT) and the Office for Investment (OFI)that target large scale Foreign Direct Investment (FDI) opportunities;
- **Gateway Policy** - which provides support to businesses in adhering to FGF policies to ensure they receive the full scope of incentives and facilitate delivery of the FGF objectives; and,
- **Business Engagement Plan** – services for businesses and investors that are and will be available over the life of the investment to help attract investment and deliver economic outputs.

The level of investment is expected to be almost £7.9bn across both private and public sector sources.

Examples include:

- A Tier-1 manufacturer of offshore wind turbines has expressed commercial interest in redeveloping the Port of Leith.
- In Rosyth, a major offshore wind manufacturer has expressed interest in redeveloping the brownfield site 'Queensferry One' for blade manufacture.
- The FGF levers will also hasten the construction and operation of a world-scale blue hydrogen facility at INEOS in Grangemouth, with capability for carbon capture, utilisation and storage (CCUS).

Regulatory flexibility (facilitated by Freeport Regulation Engagement Network (FREN)) can also be utilised in order to support a faster, safer, and cleaner rollout of alternative fuels at FGF sites.

FGF can deliver necessary innovations quicker and more cost effectively than other locations, as incentives will refocus existing infrastructure and expertise, rather than looking to create new clusters. This location also offers the potential to reform existing gas-pipeline connectivity to Aberdeen and Peterhead.

2.3d Fair Work and Skills

FGF tax and customs sites are located in areas of persistent economic deprivation. The rich manufacturing and engineering past of these areas played a significant role in the industrial development of Scotland, however; post-war de-industrialisation triggered a loss of historic industries resulting in multi-generational unemployment within these communities. Green Freeport levers could help address this issue by creating sustainable job opportunities. There are 3 areas of activity for FGF;

- Fair Work Charter based on the principles of the Scottish Government's Fair Work First Guidance, with obligations on FGF Tax site employers to uphold the Fair value of the Charter
- A detailed Skills Plan that includes developing training opportunities, school's engagement and engaging with disadvantaged groups, unemployed and those in low paid work.
- A Skills Fund to support the skills plan, paid for by employer contributions.

2.3e Innovation

The Forth Estuary area, has an excellent academic foundation, strong industrial expertise and a small existing cluster to build on, but work to do on widening collaboration and exploiting innovation in business value propositions. FGF has developed a series of port and non-port projects and services to be delivered by the FGF. These support the UK & Scottish Government Innovation strategies and other national programmes. The focus is on advancing the technology that will support growth in Clean Energy, Data and Digital Technologies and Advanced Manufacturing.

The FGF Innovation Strategy shows how FGF will meet the Governments' Green Freeport Objective 3 – “Creating hotbeds of innovation” and how it supports delivery of the other FGF objectives. The innovation strategy is the FGF commitment to a common innovation mission and a structured set of activities supporting the future growth of FGF.

FGF activity will be collaborative, agile, inclusive, easy to navigate and aligned with and contributing to the three thematic areas of FGF and the current innovation ecosystem helping to drive transformational and sustainable economic growth. An example of this is the Arrol Gibb Innovation Campus (AGIC) at Rosyth which is to comprise of a proposed advanced manufacturing and innovation campus serving the FGF area and beyond. It's supported by academia including the University of Edinburgh and University of Strathclyde. That project and the associated co-production, collaborative focus will ensure that the FGF area embraces key aspects of industry innovation in addition to stimulating trade, growth and investment activity along the Forth, centred from our designated tax sites of Grangemouth, Rosyth and Mid-Forth.

2.3f Use of Retained NDR

Three local authorities; Falkirk, Fife and the City of Edinburgh, will benefit from retaining the uplifts in NDR from new business attracted to the tax sites for a period of 25 years. The retained NDR will be for each Local Authority to deploy with an expectation that its use will be aligned with the FGF.

The value of the NDR from new business in the tax sites is estimated to be in the region of £107m in Falkirk, £107m in Edinburgh and £150m in Fife (dependant on projected levels of investment being achieved).

Retained NDR, can be used for projects within the wider Travel to Work Area of the FGF. Projects will require to fit with the UK and Scottish Government's Green Freeport Objectives and can include things like transport infrastructure, town centre initiatives and investment in skills. They will be required to fit with local Council economic and infrastructure development needs and goals, and it is recognised that they will depend on the very differing needs of the Green Freeport localities. The potential projects will be developed with partners represented on the FGF sub-committees and will be presented to each Council for consideration and approval.

The FGF Retained NDR Investment Strategy has been approved by the FGF Board and each Council. The Investment Strategy sets out the criteria and themes under which projects may be funded via retained NDR. Specific criteria are:

1. Strategic fit, with the overarching objective of the Investment Strategy,
2. The overarching Green Freeport objectives,
3. The specified eligible uses of retained NDR

Each local authority will draw up an annual Investment Plan which will be reviewed and endorsed by the FGF Governance Board before being presented to the relevant Council Committees for approval.

It is further proposed that each Local Authority will ringfence a proportion of retained NDR over a 10-year period for improvements to local infrastructure that benefits the communities adjacent to the FGF tax sites. The FGF Infrastructure, Communities and Placemaking group is developing a prospective model for deployment of such a fund which will include participation of port adjacent communities or those directly influenced by the new economic growth to occur. Currently, this is likely to be the communities of Grangemouth, Leith, Rosyth and Burntisland and will be facilitated using a Place Based Infrastructure Investment Framework approach.

2.3g Wider Interventions

The FGF aligns with public, private and community interventions located in the geography of its Outer Boundary and travel to work areas as well as national interventions that contribute positively to and are supported by the FGF. These include national and local economic, net zero, planning, transport, trade and investment, Fair Work and Skills and innovation policies, as well as City and Growth Deals and landowners' business investment plans.

2.3h Project Pipeline

The FGF has developed a project pipeline which include a number of projects that partners are keen to pursue in the longer term: e.g. infrastructure, skills, land redevelopment, innovation, decarbonisation.

In addition to these pipeline projects, the FGF Retained NDR Investment Strategy, focused on placemaking will deliver a pipeline of proposals linked to the regeneration of industrial areas providing residents access to opportunities.

2.4 Outputs and Outcomes

To fully capitalise on the potential of Green Freeport status, significant effort has been dedicated to optimising the implementation of the available interventions and levers. This ensures that their combined effect is maximised, resulting in the greatest possible benefits for the Forth, Scotland and the UK as a whole. The FGF logic model shows full details of the value proposition. The FGF Tax Site levers are already generating interest – even in sites that, in spite of being actively marketed for 10 + years, have remained vacant.

Outputs and outcomes include:

- 1. Providing a global hub for trade and investment** –It is anticipated that the FGF will leverage almost £7.9 billion of private and public investment
- 2. Promoting decarbonisation and a just transition to net zero** – early indications are that there will be investment in wind turbine marshalling and integration facilities at Leith and Burntisland, supporting the generation of one gigawatt of offshore wind per annum, and that there will be a new blue hydrogen facility at Grangemouth including CCUS capability and production of Hydrogen to be used as fuel in industrial processes.
- 3. Promoting regeneration and high-quality job creation** - the development of vacant and brownfield sites is a key outcome of the Forth Green Freeport – we anticipate that land value uplifts will be in the region of £260m and that there will be 16,000 direct jobs created on the Tax Site land.
- 4. Fostering an Innovative environment** – developing an Innovation eco-system is key to the FGF success, key outputs include creating innovation space at AGIC in Rosyth, Skills Transition Centres at Grangemouth and Riverside Renewables Hub at Leith, collaborations such as INEOS with Acorn and Willow, Innovation Pipelines to bring forward technological advances, and skills, business and employment pathways.

2.5 Strategic Case Conclusion

The FGF is the right public intervention, given the geography of the Forth Estuary and the partners involved. It is poised to deliver sustainable inclusive growth across Central Scotland and beyond. The Forth estuary is uniquely placed to drive Scotland's decarbonisation aided by an existing, globally recognised, business base.

3. Economic Case

The Economic Case focuses on assessing the potential economic impact of the FGF by considering the benefits to society, including its delivery of Government objectives, and the costs of the Green Freeport. It presents the shortlisted options considered for deploying seed capital and scenarios which vary the scale of seed capital assumed to be available.

The Economic Case establishes a set of critical success factors against which the impacts are subsequently assessed. It appraises the impact of each of the Green Freeport levers (tax benefits and custom benefits) and evaluates how the seed capital funding might influence these impacts, including by mitigating risks to delivery. A value for money appraisal of the shortlisted seed capital funding options as well as an assessment of the overall economic impacts of the Green Freeport is presented.

A risk appraisal is subsequently conducted which considers the key risks to value for money of the Forth Green Freeport proposition and conducts tests on the sensitivity of the impacts to these risks. The economic case concludes with an assessment against its critical success factors and an overall conclusion on the preferred option.

3.1 Seed Capital Projects

The contribution that proposed seed capital projects and tax sites make to these success factors has been a key factor in determining the final short-list of seed capital projects. The Seed Capital Projects have been listed as Minimum Ask (£17.9) and Maximum Ask (£24.5m) of Government funding. All economic benefits in this summary of the Economic Case are assuming that the Maximum Ask is granted.²

The seed capital funding has largely been employed for enabling works that create jobs directly, that accelerate job creation and improve the appeal of the Forth Green Freeport sites.

Figure 1 shows the short-listed projects that are part of the “maximum ask” with the “minimum ask” being the 4 at the top of the list, as well as the final list of benefits and linked objectives.

² The FBC Economic Case covers all scenarios

Figure 1: Short-listed seed capital projects

Project	Category of employment benefits	Link to programme objectives
Forth Ports (FP) Land Preparation – Port of Leith	Create jobs directly	Promote regeneration and create high-quality, well-paid jobs Build international trade and export capability
Babcock Integrated Energy System	Improve appeal of Green Freeport	Attract significant inward investment Deliver a just transition to net zero
Grangemouth Utility Capacity	Improve appeal of Green Freeport	Attract significant inward investment Deliver a just transition to net zero
INEOS Low Carbon Hydrogen - Land Preparation	Accelerate job creation	Attract significant inward investment Deliver a just transition to net zero
AGIC Skills & Innovation Centre	Improve appeal of Green Freeport and Create jobs directly	Foster an innovative environment Promote regeneration and create high-quality, well-paid jobs
Fife Council – Rosyth Railway Restart	Improve appeal of Green Freeport	Attract significant inward investment Deliver a just transition to net zero
Falkirk Council South Bridge Street	Improve appeal of Green Freeport	Attract significant inward investment Deliver a just transition to net zero
Falkirk Council Wholeflats	Create jobs directly	Promote regeneration and create high-quality, well-paid jobs Attract significant inward investment
FP Grangemouth South Shore Road	Improve appeal of Green Freeport	Attract significant inward investment Promote regeneration and create high-quality, well-paid jobs
Utility Consultancy	Improve appeal of Green Freeport	Attract significant inward investment Deliver a just transition to net zero

3.2 Land Value Uplift

A key economic output of the FGF is the land unlocked for development by the private, public and seed capital investment in enabling works, land assembly and site remediation. Using the methodology outlined in DLUHC appraisal guidance³ the land value uplift (LVU) generated by this investment is presented in the figure 2.

Figure 2 Land value uplift benefits (PV, 2023 prices)

	Freeport Maximum Ask
LVU benefits	£261.4m

3.3 Jobs

FGF will generate 16,000 direct jobs.

When considering total jobs, including both those supported directly on site and those supported indirectly in supply chains and through wages, the FGF is anticipated to support up to 34,500 gross jobs.

13,600 are likely to be net additional at the UK level.

3.4 Gross Value Added, Net Present Public Value and Benefit Cost Ratios

The benefits generated at each of the tax site locations (Figure 3 and 4) are dependent on seed capital funding in delivering critical works such as land preparation, transport improvements and skills interventions. The assessment of Land Value Uplift benefits (figure 2) has been combined with productivity and skills benefits and labour supply impacts which utilise the net job estimates. In addition, the carbon benefits associated with the acceleration of investment in blue hydrogen capability have been quantified.

³ [DLUHC appraisal guide - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/101444/dluhc-appraisal-guide.pdf)

Figure 3: FGF Benefits

Benefits	Freeport Maximum Ask
Land-Value Uplift (including employment multiplier effects)	£261.4m
Labour Supply Impacts	£146.3m
Carbon benefits	£49.0m
Move to more productive jobs and skills	£111.9m
Private land preparation costs	(£386.3m)
Total Net Benefits	£182.3m
Public Sector Costs	£54.1m
Benefit Cost Ratio	3.37
NPPV	£128.2m

The Green Freeport is expected to generate a significant GVA impact of over £8.1bn (PV) in the Maximum Ask scenario, reflective of the quantity of jobs and private investment unlocked by the Green Freeport levers, a significant majority of which is unlocked by the tax benefits. It is however also true that a significant quantity of private investment is required in generating this GVA, meaning the Net GVA reduces to £789m (PV).

Figure 4: GVA analysis

	Freeport Maximum Ask
Gross GVA	£8.1bn
Net GVA (Gross GVA – costs)	£789m

In addition to the benefits outlined above, an assessment of the potential Qualitative Benefits is also provided in the FBC Economic Case and these include:

1. Increased transport connectivity (freight and passengers at Rosyth, HGV refuelling capability and road upgrades at Grangemouth).

2. Significant proposed investment in Green Energy, Wind and Hydrogen
3. Increased clustering and economic density in certain industries particularly Green Energy
4. Increased access to skills training and employment
5. Increased economic output in identified economic clusters
6. Increased innovation activity including in manufacturing and skills development

3.5 Social and Equality Impacts

FGF sites are located close to areas of persistent economic deprivation. The rich manufacturing and engineering past of the proposed tax sites played a large role in the industrial development of Scotland, however; post-war de-industrialisation triggered a loss of historic industries resulting in multi-generational unemployment within these communities. The FGF aims to deliver lasting regeneration to the deprived areas around the designated tax and customs sites by creating jobs, the majority of which will be high skilled, high paid jobs in Scotland and the rest of the UK.

4. Financial Case

The purpose of the Financial Case is to demonstrate the affordability of the FGF seed capital projects and to demonstrate a credible plan for funding its operation in the medium-term and ensuring its long-term financial sustainability thereafter.

4.1 Tax Site Investment

Tax measures on tax sites will be the primary driver of investment across the Green Freeport. Following extensive work with tax site landowners and potential developers, it is estimated that almost £7.9 billion will be invested in core propositions on tax sites within the Green Freeport up to the end of FY2035/36. While this provides an indication of the immediate period over which estimates are considered to be most reliable, the overall investment figure may increase beyond this time frame.

Figure 5. Tax Site Investment

Grangemouth	£5.0bn
Mid Forth	£0.8bn
Rosyth	£2.1bn
Total	£7.9bn

4.2 Operational Budget and Skills Fund

A balanced budget has been produced in that the forecast revenues match the forecast costs. Operational Costs are in the region of £800k per annum and these will be met through a balance of RDEL funding, Local Authorities' retained NDR and landowner contributions of up to £1k per tax site hectare per annum. (2024 prices). The FGF skills fund will be self-funding through investments from employers' NI contributions savings and additional contributions from Local Authorities.

5. Commercial Case

5.1 Tax Site Delivery and Management

There are three designated tax sites within the FGF - Grangemouth, Mid-Forth and Rosyth. All three sites have strategies in place to support delivery of the FGF vision and optimisation of the tax levers that come with being part of a Green Freeport.

Day-to-day delivery and management of the tax sites will be co-ordinated by the OpCo CEO and the T&I Manager in direct collaboration with landowners, investors, the relevant Local Authority and other key stakeholders as appropriate.

The Forth Green Freeport Operating Board (FGFOB), FGF OpCo and landowners will adopt and apply the FGF Investment Principles to tax site investment opportunities. Landowners will be supported by FGF to achieve aligned investments.

The purpose of the Investment Principles is to act as a gateway policy to ensure that the FGF supports:

- the clustering of businesses (with a strategic focus on the identified target sectors)
- the Green Freeport policy objectives overall including Fair Work
- landowners, local authorities and other relevant parties to make an assessment of the eligibility of an investor to access the tax benefits, increasing investor confidence

5.2 Procurement

Procurement will be undertaken by a mix of private landowners and other project sponsors including the public sector.

Any bids for funding by private landowners will require HMG compliant Green Book business cases which will include the procurement route and methodology in the commercial case. All business cases will be developed following the principles of HM Treasury Green Book.

5.3 Public Sector Borrowing

Public Sector Borrowing against future NDR revenues is possible within the FGF Investment Strategy however will be up to the relevant Local Authority to decide and no such borrowing is expected to be undertaken in the early years of the FGF.

5.4 Subsidy Control

Falkirk Council in its role as Accountable Body has obtained external legal advice to demonstrate that subsidy control issues arising from the use of public funds have been considered. This legal advice has enabled a screening tool for all potential transfers of public support to all FGF grant recipients.

6. Management Case

6.1 Governance

The FGF partners have set up a Governance Board (FGFGB), with both private and public sector representatives, including elected members

FGFGB oversees the development of the FGF. They have been supported in this by a Steering Group. This group will continue meeting until the OpCo is fully staffed and operational. The Steering Group and FGFGB are supported by the Programme Management Office (PMO) and various sub-committees of the FGFGB. A Local Authority group coordinates public sector input.

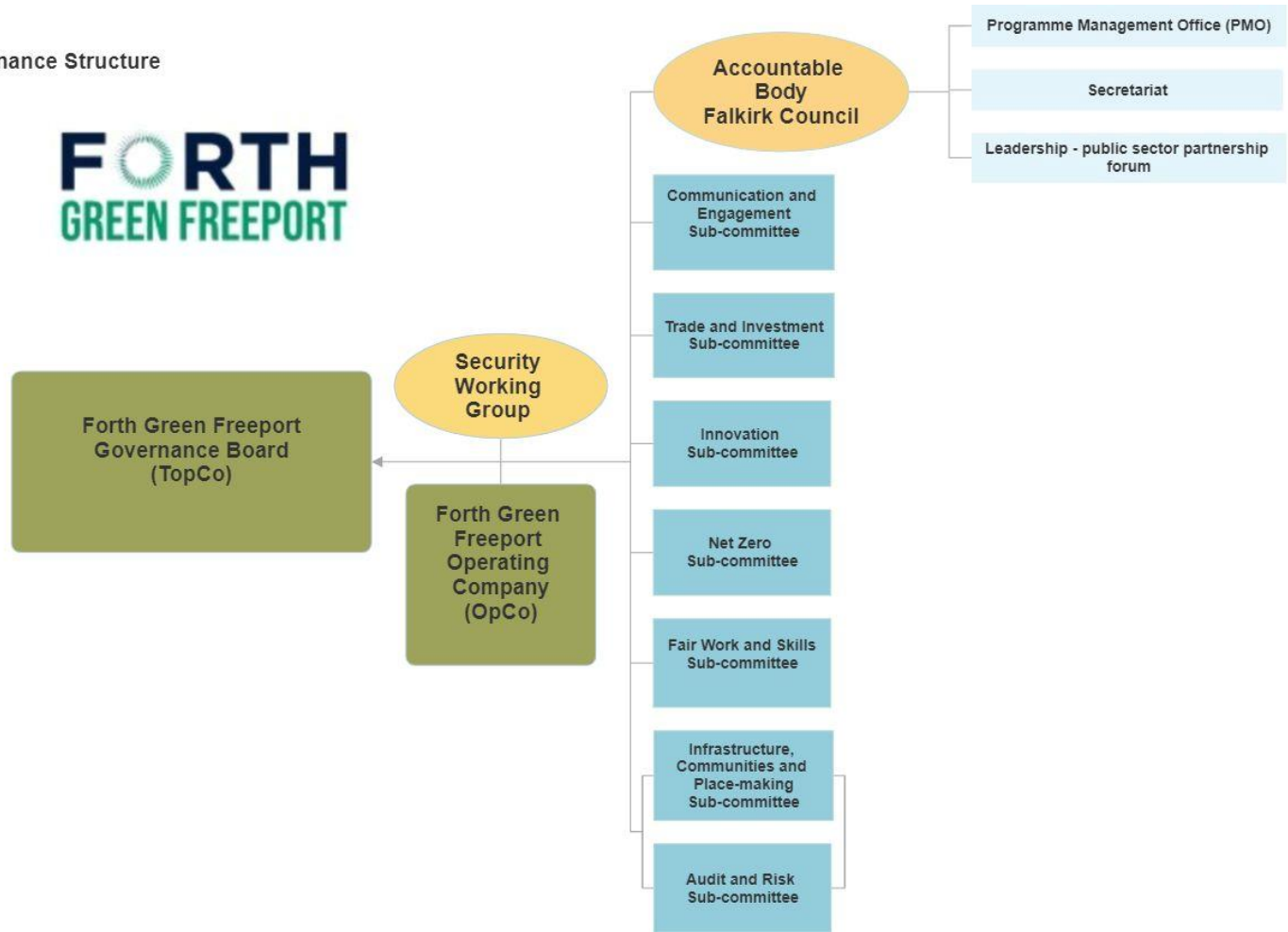
The FGFGB has set up a company limited by guarantee, the Forth Green Freeport Ltd, company number SCO 800460 which was incorporated on 28 February 2024. All Board members of FGFGB are Directors of the Forth Green Freeport Ltd.

The Board has set up a wholly owned subsidiary company, the Forth Green Freeport Operating Ltd. (OpCo) that supports the OpCo Chief Executive Officer (CEO) in the operation of the Forth Green Freeport.

There are 4 Directors of OpCo, all nominated by the 4 biggest landowners, INEOS, Scarborough Muir, Babcock and Forth Ports. The company (company number SCO 810561) was incorporated on 15 May 2024.

Figure 6: FGF Governance Structure

Governance Structure



6.2 The FGF Operating Company

The FGF Operating Company (OpCo) is governed by and reports to the FGFGB and delivers the FGF on behalf of this board and its sub-committees. The relationship between the FGFGB and the OpCo is written into the Memorandum of Association and Articles of Association of the OpCo.

The OpCo, under delegated authority of the FGFGB, employs people on FGF business and can enter into contracts on the FGF behalf.

Its core function is to take forward the projects and initiatives that the FGF Sub-committees have developed.

These include:

- Fair Work and Skills, including the Fair work charter, the Skills Plan and the skills fund (in collaboration with Local Authorities)
- Trade and Investment, including Investment Principles, relationships with DTI, SDI, and promotion of the Forth Green Freeport and its constituent tax and customs sites
- Infrastructure, Placemaking and Communities, in collaboration with PMO and local authorities
- Net Zero including impact assessment and reporting
- Innovation including developing an innovation culture and ecosystem
- Communications and Engagement inc. social media, PR, marketing and stakeholder management and events

It will maintain effective working relationships with the Accountable Body/ PMO and help it carry out the core functions of:

- Financial compliance and audit
- Reporting
- Monitoring and evaluation
- Relationship Building

Landowners retain the right to handle the commercial negotiations with an investor but will be supported through the onboarding process by partners as appropriate.

The CEO will be employed by Forth Green Freeport Operating Ltd.

Responsible for the overall management, growth and strategic direction of FGF and via close collaboration with partners and Board members the CEO will drive all projects, initiatives and programmes, ensuring its efficient and compliant operation within the legal and regulatory framework. This role requires strong leadership, policy development, financial oversight and stakeholder management.

The CEO will recruit 3 staff by Spring 2025 to carry out the functions of the Forth Green Freeport.

- The Trade and Investment Manager will develop and drive economic growth by attracting and facilitating investment, fostering trade and ensuring the successful operation of FGF. Robust project management experience along with the ability to work collaboratively in a fast-paced environment will be pivotal in this role.
- The Net Zero and Innovation Manager will bring multiple stakeholders together to facilitate the generation of new business propositions. The position will develop and lead on all innovation and will accelerate the delivery of net zero projects and initiatives.
- The Fair Work and Skills Manager will develop and lead on sustainable skills initiatives an intervention dedicated to the establishment of fair work practices and skills development. Integral to this role will be the establishment and maintenance of a just and dynamic working environment within the Freeport.

Secondments from any of the key partners will be considered, so long as their employer agrees, and secondments would last no longer than two years.

6.3 Falkirk Council - the Accountable Body / PMO Team

Falkirk Council is accountable for the financial management of the FGF RDEL and Seed Capital funds and responsible for any liabilities incurred in the use of these, some of which may be passed to lead partners via partnership agreements.

Falkirk Council is governed by Falkirk Council Standing Orders and Financial regulations.

Falkirk Council hosts a PMO to manage these arrangements and has appointed the Director of Place and Chief Finance Officer to oversee its duties.

6.4 Stakeholder Management and Communications

FGF has crafted a comprehensive Communications and Engagement Strategy that outlines our approach and delivery methods for all communications. This strategy encompasses a detailed framework of principles, procedures, key messages, and protocols designed to support the FGF and its core partners in effectively achieving the strategic objectives of the FGF.

6.5 Building Local Expertise

The approach to the development of the FGF has been through the work of a strong partnership consortium with vested interest in making the FGF a success. As we approach the delivery phase of the FGF we will build on these strengths to develop the capacity and capability to ensure the sustainability and success of the FGF.

The Governing and Operating Boards of the FGF and its 7 sub-committees are all supported by Senior Leaders from the FGF consortium partners.

The Directors of FGF Limited, consist of Heads of Industry including the Chief Executive of Forth Ports, the Chairman of INEOS Grangemouth, the MD of Scarborough Muir Group and the MD of Rosyth Royal Dockyard Ltd (for Babcock International Group). The cumulative private sector experience, networks and credibility puts us in a strong position to bring forward private sector investment into the FGF. Other partners who have interacted through the working groups include Senior Officers of Calachem, Edinburgh Airport and the Ministry of Defence, and Officers from both the UK and Scottish Governments.

The Public Sector has also been well represented on the FGFGB with Elected members from Fife, Falkirk and City of Edinburgh Council, being members. In addition, the Chief Finance Officer for Falkirk Council has represented Falkirk Council's role as Accountable Body for the FGF.

A worker's representative with senior Trade Union experience has been confirmed as willing to become a full member of the FGFGB.

6.6 Risk Management

The FGF Risk Management strategy aligns with the Office of Government Commerce 'Management of Risk' best practice to ensure resilient cost estimation to deliver value for money and the UK Treasury 'Orange Book' and 'Green Book' on the concept and required standard for Risk Assessment in business cases.

There is a clearly defined process for risk measurement, target, appetite and tolerance set out for each risk with a reporting process bi-monthly as a standing topic at FGFOB and FGFGB meetings.

6.7 Security and Illicit Activity

FGF has developed, and will maintain, a Security and Illicit Activity Risk Management Strategy to ensure effective monitoring and managing of threats and opportunities. The strategy outlines the methodology and approach to identify, manage, and mitigate fraud, crime and security risks (e.g., terrorism, insider threat, robbery, theft, human trafficking, money laundering, cyber-attacks etc.) that the FGF could face.

A Security Working Group (SGW) will consist of the FGF CEO (role of chair) and security managers of the relevant FGF sites and will report to the FGFGB. They will meet six monthly and ad hoc as necessary. Invitations will be extended to relevant stakeholders, including enforcement bodies (e.g., Police Scotland, HMRC, Border Force, DFT, etc.). Market surveillance bodies such as local authority based MSAs (e.g., Trading Standards, Environmental Health) and others will be invited as required.

6.8 Monitoring and Evaluation

The FGF understands the importance of robust monitoring and evaluation.

FGF are committed to working with the UK and Scottish Government to develop and undertake meaningful monitoring and evaluation, reporting and assurance processes.

In terms of reporting, the Accountable Body (Falkirk Council) will undertake regular reporting processes to provide the Governments information (in the format that is required) in relation to; programme progress, programme changes, changes to governance, risks and capital funding expenditure.

The Chief Finance Officer of the Accountable Body will provide the required assurance that proper administration of financial affairs relating to FGF, ensuring propriety, regularity and value for money are being achieved and that the processes in place are functioning effectively.

With regards to monitoring and evaluation (M&E), once formal guidance is received from the UK and Scottish Governments, a bespoke M&E framework will be developed in line with guidance set out in HMT Magenta Book. It is envisaged that the framework will use the Theory of Change - a logic model to monitor performance of the project throughout delivery into outputs and will evaluate outcomes impacts and benefits realisation. In terms of frequency, its anticipated that core indicators will be reported on twice a year with other indicators reported on an annual basis.

7. Conclusion

The FGF FBC has an estimated date for submission of 30 August 2024.

The FBC makes a strong case for the delivery of the FGF. The strong partnership and shared vision will seek to deliver over £7.9 bn in Gross Value Added with approximately 34,500 gross jobs locally and nationally. The FGF intends to have the highest level of integrity and transparency in its operation, and these will be enforced through robust Fair Work and Investment Principles alongside a firm commitment to Net Zero and to the communities adjacent to the FGF locations.