

Policy and Sustainability Committee

10.00am, Thursday, 17 November 2022

Forth Green Freeport

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| Executive/routine Wards Council Commitments | Routine All |
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1. Recommendations

- 1.1 It is recommended that the Policy and Sustainability Committee notes that a Forth Green Freeport (FGFP) Bid has been submitted for consideration by the Scottish and UK Governments.

Paul Lawrence

Executive Director of Place

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Report

Forth Green Freeport

2. Executive Summary

- 2.1 This report provides an update on the Forth Green Freeport (FGFP) bid and sets out the possible implications of this for the City of Edinburgh Council.

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 adapts the UK Government’s Freeport model to fit the distinct needs and interests 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.
- 3.4 The [Scottish Green Freeport prospectus](#) was published on 25 March 2022. This 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 incentives to encourage investment associated with Green Freeports are summarised below:
- 3.6.1 Tax sites within which businesses will have access to a full suite of tax incentives (Enhanced Capital Allowances, Employer National Insurance Contributions, Structures and Buildings, Land and Buildings, Non-domestic rates relief). Any business investing within five years of the tax site being designated will be able to access these incentives. There should be a maximum of three tax sites within the outer boundary¹;
 - 3.6.2 Customs sites within which businesses will have access to customs incentives (import duty suspension, tariff inversion, simplified customs procedures etc.). Again, this will be within five years of designation;
 - 3.6.3 Businesses will have access to a “regulatory sandbox” with potential relaxation of specific regulations (e.g. around drone flights and automated vehicles);
 - 3.6.4 Local authorities will be encouraged to adopt simple planning regimes and Masterplan Consent Areas (MCAs) aligned to National Planning Framework 4 ambitions; and
 - 3.6.5 Local authorities will be able to retain any uplift on the value of business rates (above a baseline) generated within the tax site for a period of 25 years, and this money can be spent on anything within the outer boundary geography that could help achieve the four Green Freeport objectives as set out at 3.4.

Forth Green Freeport Bid

- 3.7 Immediately after the Green Freeport prospectus was published, Forth Ports, in partnership with Babcock, Ineos, Scarborough Muir and Edinburgh Airport, confirmed their aspiration to submit a bid for a FGFP. The City of Edinburgh Council, along with Falkirk and Fife Councils, was approached to partner with the private sector stakeholders to take forward the bid.
- 3.8 The Council approved the following an amended motion on [17 March 2022](#) relating to Freeports:
- 3.8.1 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;
 - 3.8.2 To note the Council had been involved in discussions on what “green free port” status would mean;
 - 3.8.3 To note the importance of the Forth continuing to bring inclusive and sustainable economic opportunities to the Edinburgh and the potential for high quality job creation towards a just economic transition to net zero;

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.

- 3.8.4 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
- 3.8.5 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.

4. Main report

Forth Green Freeport Proposal

- 4.1 The FGFP outer boundary covers a 44.8 km wide 'economic corridor' (map shown in Appendix 1). Within the boundary, there are three Tax Sites: Grangemouth (Falkirk), Leith (Edinburgh) and Rosyth (Fife); and two Customs Sites: Burntisland (Fife) and Edinburgh Airport (Edinburgh).
- 4.2 In developing the FGFP bid, discussions between the partners 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 (summary attached in Appendix 3) identifies a number of potential economic and other benefits from Green Freeport policy and investment. Selected key benefits are highlighted below:
 - 4.3.1 The FGFP is expected to support over 50,000 new jobs in total, including more than 2,800 in Leith. These jobs will be high quality, well-paid, and sustainable and there will be a dedicated skills fund for local people to gain the skills to access them. Analysis of the direct jobs expected to be created as part of the FGFP shows that the wages provided for these jobs will be 7% higher than the median wage in Edinburgh;
 - 4.3.2 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 Seafield 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;
 - 4.3.3 The FGFP will allow the Council to retain 100% of the uplift in non-domestic rates revenues (above an agreed base rate), to be invested in capital infrastructure projects. These projects would need to be agreed by Committee as well as the FGFP Governance Board and UK and Scottish Governments in due course, but it is envisaged that they would include investment in transport, town centres and public realm to the benefit of the neighbouring communities. Further work is required to assess the level of income that this could be expected to support; and
 - 4.3.4 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 and so the aim of the Place Based Investment 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.

Bid Submission

- 4.4 As noted in paragraph 3.7, City of Edinburgh, Falkirk and Fife Councils were approached to ascertain whether they would support the FGFP bid.
- 4.5 The deadline for submission of the bid was 20 June 2022. This fell in between the Policy and Sustainability Committee at the start of June and the Council meeting on 30 June 2022. As a result, there was not an available Council or committee meeting to consider the finalised letter of support.
- 4.6 In line with the other Councils, the Council Leader was approached to write a letter of support and an urgent decision was taken, in consultation with the Council Leader, to support the bid but within the parameters of the existing policies of the Council. On that basis, the letter of support (attached in Appendix 2) emphasised that the City of Edinburgh Council's support was contingent on real evidence of Net Zero and Fair Work commitments.
- 4.7 Following the summer recess, a briefing session for Group Leaders was arranged for 16 August 2022 to discuss the proposal for the FGFP in more detail.
- 4.8 However, in hindsight, it is recognised that this decision should also have been taken with the Lord Provost (as well as the Council Leader) and that subsequently the decision should have been reported to the Council to take into account the terms of the March motion.
- 4.9 Unfortunately, and with apologies to Elected Members, this was not identified earlier and therefore the Council's letter of support for the bid is presented as part of this report.

5. Next Steps

- 5.1 Councillors will be kept updated on the outcome of the FGFP and the proposed next steps. In the event that the bid is accepted:
 - 5.1.1 Council officers will work with Falkirk Council and other FGFP partners to develop the OBC and the FBC, including formal governance arrangements for the Council's role in the FGFP governance structure. The outcome of the bid and any decisions required by the Council will be reported to Committee as early as possible;
 - 5.1.2 Before it can receive formal Green Freeport designation and commence operations, an Outline Business Case (OBC) and Full Business Case (FBC) will need to be approved by the Scottish and UK Governments; and
 - 5.1.3 Falkirk Council will act as the accountable body for the disbursement of development and seed funding within the constraints of the bid parameters

and will act as the lead local authority for the development of the OBC and FBC.

6. Financial impact

6.1 If successful:

- 6.1.1 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;
- 6.1.2 The Council will continue to assess the potential funding streams to understand the proposed level of investment available to support the process;
- 6.1.3 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;
- 6.1.4 The retained rates from the new investment in the Leith Tax Site, once operational, 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 before being submitted for approval by the appropriate Government;
- 6.1.5 £1m development funding will be released imminently to facilitate the development of the OBC and FBC. As the accountable body, Falkirk Council would be responsible for the receipt and disbursement of funding, including the appointment of specialist consultants, and any sundry costs arising from the bid process as required. They will also be responsible for reporting to the Scottish and UK Governments on how it is spent; and
- 6.1.6 £25 million 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 defined as part of the OBC process.

7. Stakeholder/Community Impact

7.1 Industries targeted for investment in Scotland's Green Freeport policy have historically had relatively lower rates of representation of protected characteristics.

7.2 If successful:

- 7.2.1 FGFP will prioritise the inclusion of protected groups in contributing to, and benefiting from, the investments secured by Green Freeport levers. 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 young people (8%), ethnic minorities (2%) and disabled people (12%); and

- 7.2.2 Proactive efforts from FGFP to correct this imbalance will include:
- 7.2.2.1 Age - Skills investment 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;
 - 7.2.2.2 Disability - Disability-inclusive hiring practices, together with access to funding for skills bursaries will encourage open access to employment for people with disabilities; and
 - 7.2.2.3 Sex - Access to funding for skills bursaries will be prioritised for women through preferential scoring in applications.
- 7.2.3 The FGFP Governance Board will set quantitative 'Social Impact Key Performance Indicators', 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.
- 7.2.4 An important part of developing the OBC will be the assessment of additionality, i.e. the amount of new growth and economic benefit to address deprivation rather than any displaced growth.
- 7.2.5 Additionally, and critically, the OBC would require a full assessment of the extent to which Freeport policy and investment promotes regeneration and job creation, particularly in areas that need it most.

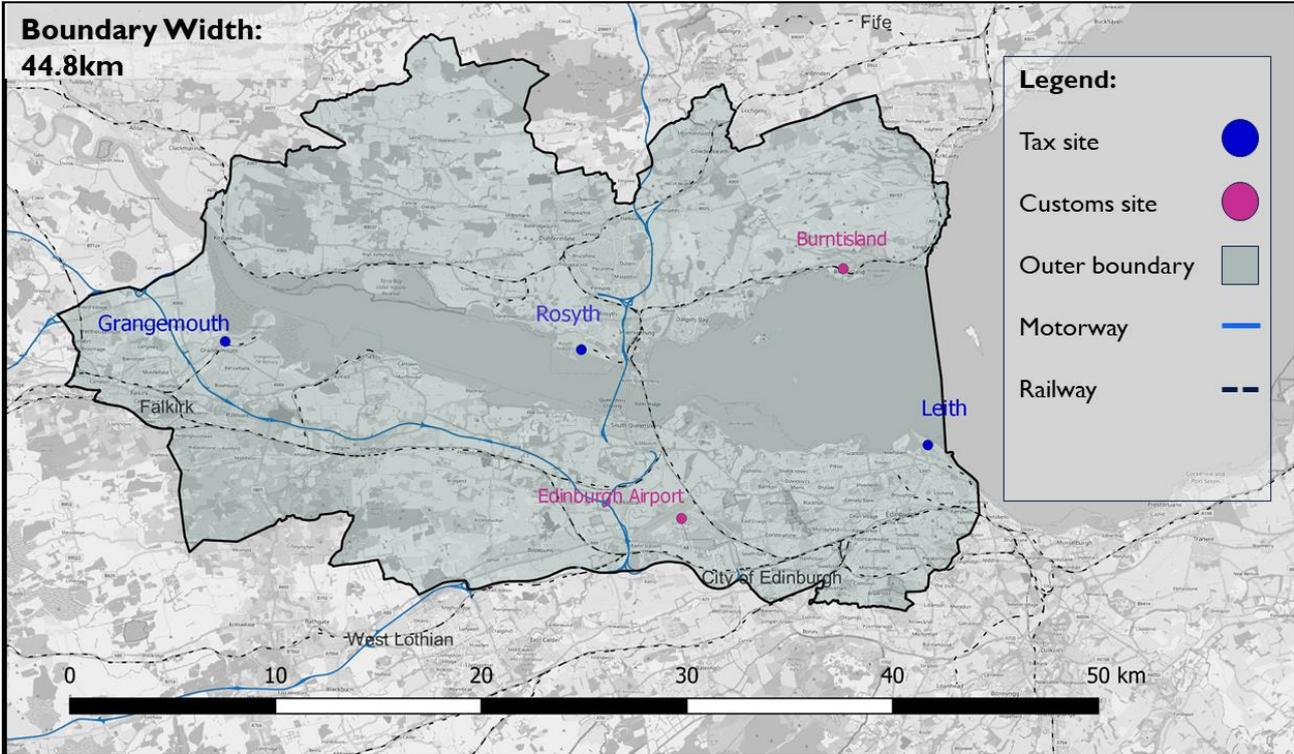
8. Background reading/external references

- 8.1 None.

9. Appendices

- 9.1 Appendix 1: FGFP outer boundary plan
- 9.2 Appendix 2: City of Edinburgh Council Letter of Support
- 9.3 Appendix 3: The Vision for a Forth Green Freeport

Appendix 1: FGFP Outer Boundary



17/06/2022

CITY OF EDINBURGH COUNCIL (LEITH, EDINBURGH AIRPORT)

Dear Sir/Madam,

City of Edinburgh Council's support for the Forth Green Free Port (FGFP) and its ability to bring economic regeneration to local communities

I am writing to confirm the **support** of City of Edinburgh Council for the FGFP bid. A Green Freeport tax site in Leith, and a customs site in Edinburgh Airport will help us to deliver transformative change for local communities and also our ambitious target of achieving net zero by 2030. We have been a committed voice in the development of this bid and, should the bid be successful, will continue to play an active and supportive role in the governance and management of the FGFP.

The Council has been clear throughout that the FGFP bid must deliver real, transformational change to the communities along the Firth of Forth, particularly areas suffering from multiple deprivation. The bid will lead to **more, well-paid jobs with opportunities for career progression**, equipping our residents for the net zero economy of the future. We have also been clear that the bid must deliver opportunities for existing businesses rooted in the area, helping them to grow and diversify. I set out below why the bid addresses these challenges.

Industrial cluster development

The redevelopment of the Leith port site will help to create an innovative cluster in advanced manufacturing and support the development of a creative hub in North Edinburgh. This will not only create a diverse employment base to supplement our existing offerings in data and technology, but we also believe that the interaction of these clusters will help to create innovative solutions, such as using cutting-edge data analytics to improve the efficiency of advanced manufacturing processes and also provide **supply chain benefits for our local Small and Medium Sized Enterprises**.

Furthermore, the **innovation hubs** made possible by investment via the Edinburgh and South East Scotland City Region Deal will directly support the development of these clusters and ensure that the whole region benefits from them.

Innovation and skills

The Edinburgh Economy Strategy aims to deliver inclusive growth for all, with new skills at the heart of this approach. The strategy supports schools to develop skills-based curricula that improve pathways into work and learning and provide the skilled and competent workforce needed for Edinburgh's changing economy, working in collaboration with our partners across the city and wider region. The FGFP bid illustrates how private and public sector can collaborate to create jobs, which are accessible to and of direct benefit to residents in the surrounding communities, particularly those in greatest need. **We will ensure education providers (schools and Edinburgh College in particular) are directly involved in the opportunities the FGFP will bring.**

Community Benefits

We are pleased that Forth Ports was instrumental in working with the Leith Trust to establish the **Leith Fund** to support local community initiatives. In line with Council policy, we would want to see procurement approaches by companies involved in the FGFP supporting wider community benefits, and grow programmes like the Leith Fund to ensure the proceeds of this economic activity are re-invested in the local area.

Fair work

The City of Edinburgh Council are strong advocates for Fair Work and was one of the first cities in Scotland to become a Real Living Wage City. Our Economy Strategy targets doubling the number of Real Living Wage Accredited businesses in Edinburgh in the next 5 years and we continuously work with private and third sector on all aspects of Fair Work. This includes employee and trade union involvement (where relevant) in business decisions and we would want to see this strongly in place across all companies involved in the FGFP. We are pleased to see the FGFP bid's commitment to Fair work, and this is central to our support. **We are clear that all companies benefitting from the FGFP investment must fully adhere to Fair Work principles, meaning employees in jobs the programme creates will be paid the real living wage.**

Net zero

City of Edinburgh Council declared a Climate Emergency in 2019 and committed to work towards net zero emissions for both city and corporates. The City of Edinburgh Council Emissions Reduction Plan has now set a target for Edinburgh to be a net zero city by 2030. The FGFP bid will deliver a **world class renewables hub in Leith**, focused on the opportunities created by the fast-growing Offshore Wind sector. We also understand the urgent need for the wider de-carbonization of the Forth. The FGFP bid will be at the centre of delivering this industrial transformation, and is real evidence of public policy, followed by private sector led delivery.

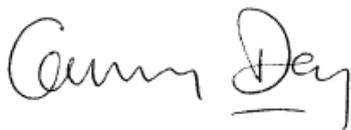
Planning

We are committed to working closely with Forth Ports and other partners to deliver an effective Planning process for FGFP investments, including proactive consideration of submitted applications and engagement on the optimum land use. All discussions so far indicate **strong alignment** with our Local Development Plan ambitions for redevelopment of Leith and North Edinburgh, including redevelopment of a major brownfield site at Seafield.

Lastly, it is important to put the bid in context. The North of the City of Edinburgh is among the most deprived parts of the city, and it is an area I am proud to represent.

With our own Trams to Newhaven project, opening up sites in the North; with our Granton Regeneration programme, a £1.3bn waterfront development, and with the FGFP proposal, I am determined to bring **lasting change to the area**, change which will benefit existing residents and businesses, and those who I have no doubt will come to the area over the coming years.

Yours sincerely,

A handwritten signature in black ink that reads "Cammy Day". The signature is written in a cursive style with a horizontal line under the name.

Cllr Cammy Day,

Leader, The City of Edinburgh Council

The vision for a Forth Green Freeport

June 2022

FORTH
GREEN FREEPOR

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



- 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



- **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



- £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



- **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



- Local authorities encouraged to adopt simple planning regimes and **Masterplan Consent Areas (MCAs)** aligned to National Planning Framework 4 ambitions.

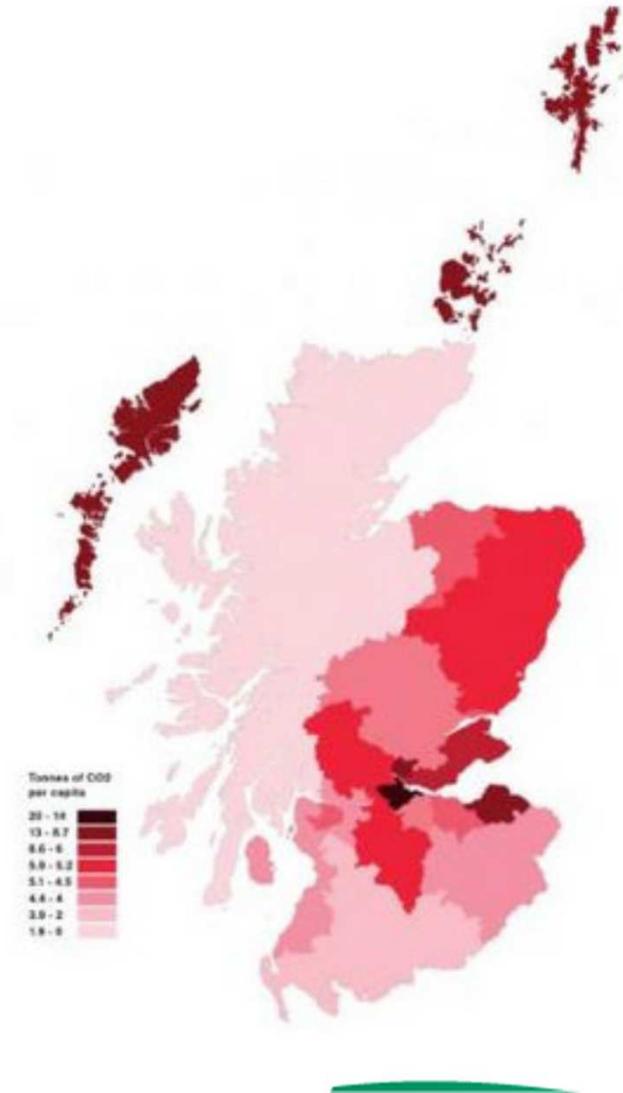
To achieve Scotland's 2045 net zero target, urgent action is needed to decarbonise the Firth of Forth

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.



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 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.



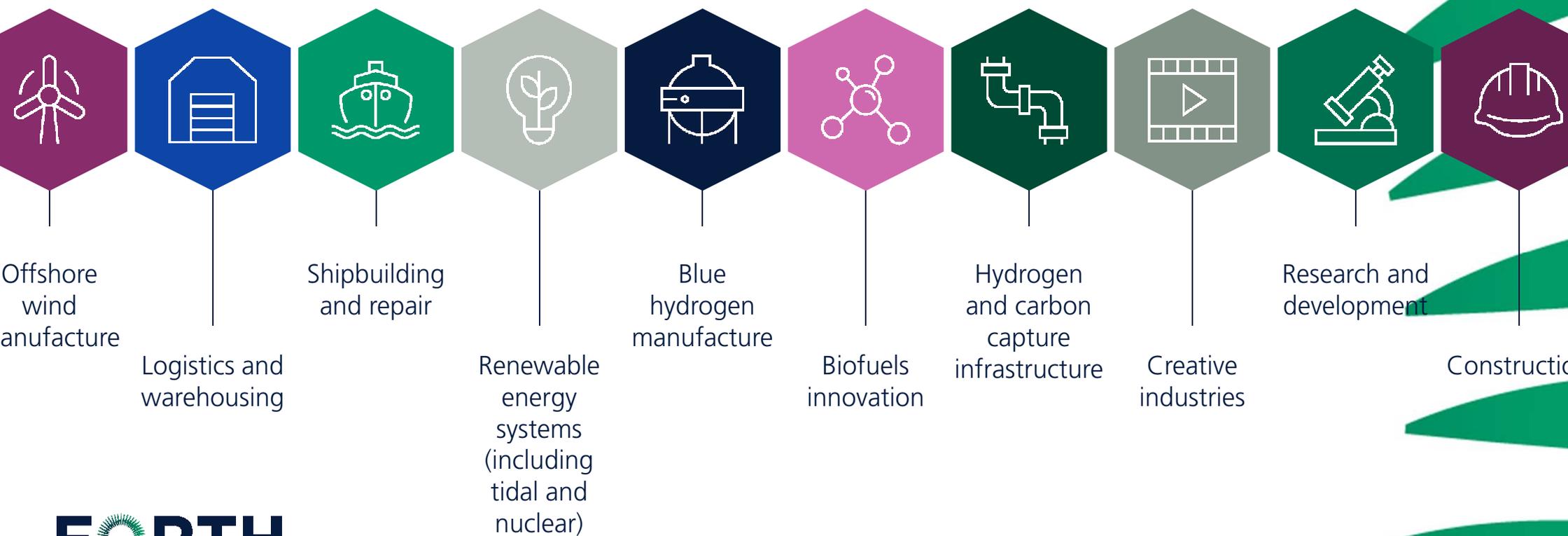
Grangemouth: Build on strengths as **Scotland's largest port** and principal export hub and regenerate the petrochemical cluster for a net zero transition.



Rosyth: Support **innovative manufacturing and shipbuilding**, and strengthen the nation's agribulks hub by expanding and creating new trade routes to continental Europe.

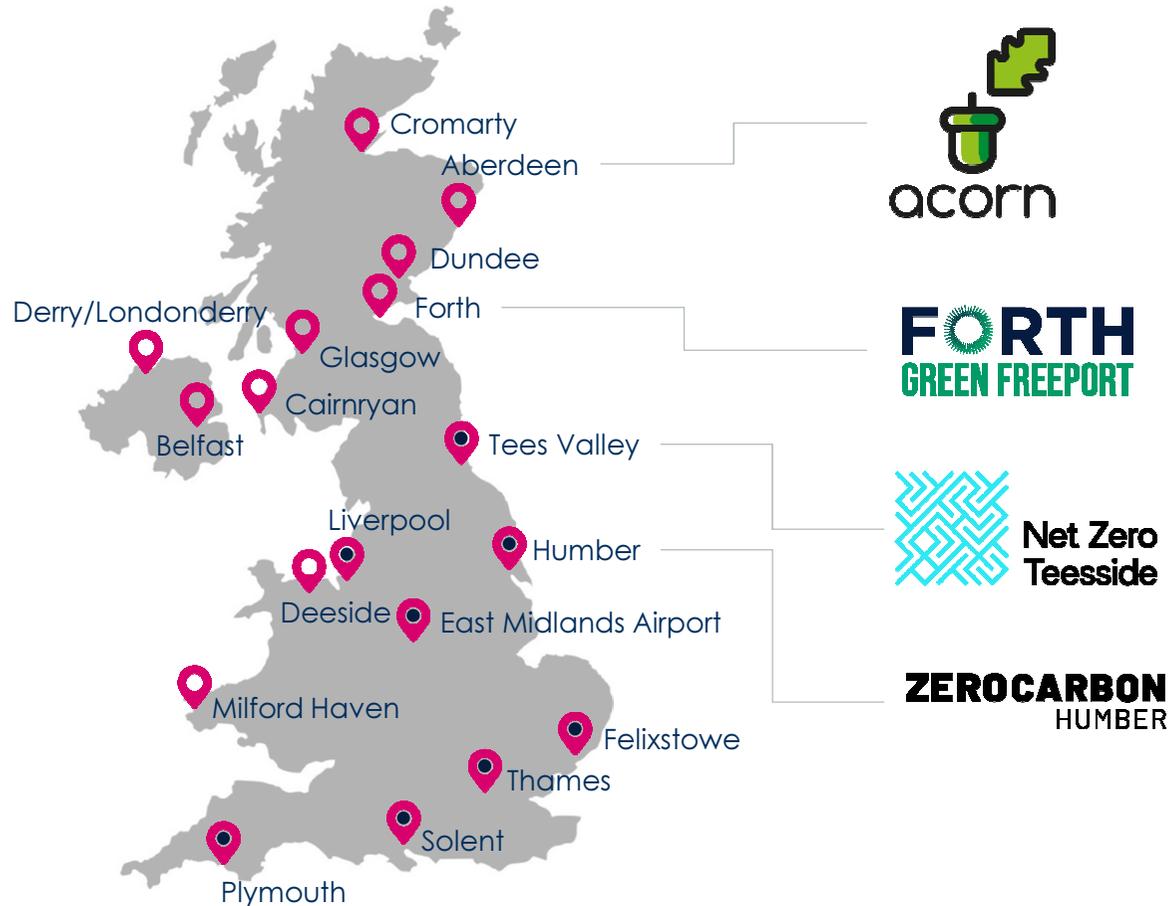


We expect these sites to deliver supply chain opportunities in diverse sectors key to Scotland's future growth



The Forth Green Freeport could be the fulcrum of a renewable energy corridor along the UK's East Coast

-  Potential UK Freeports and Green Freeports
-  Designated England Freeports



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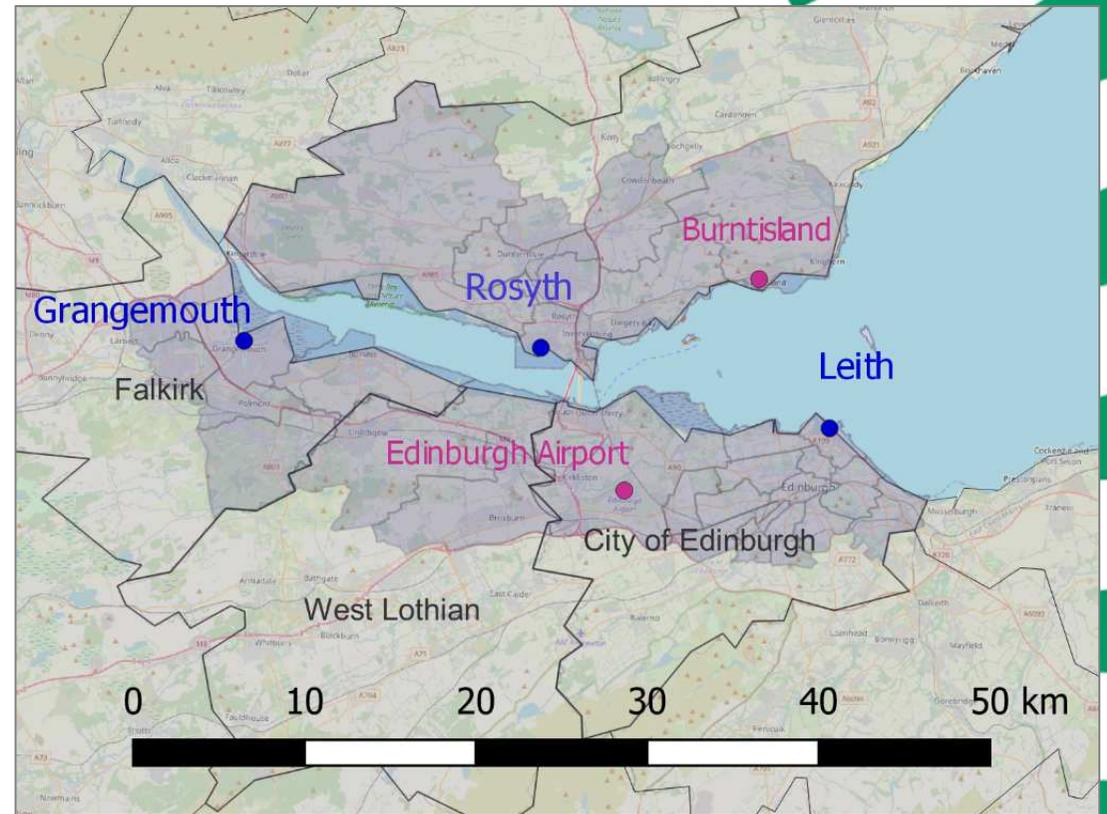


ZERO CARBON
HUMBER

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

The proposed 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 the Central Scotland.



- Tax site
- Customs site
- Outer boundary

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

Core private sector partners



FORTH PORTS

INEOS



trusted to deliver



Where Scotland meets the world



Scarborough Muir
Group Ltd

CalaChem

Public sector partners



Fife
COUNCIL



Falkirk Council



EDINBURGH
THE CITY OF EDINBURGH COUNCIL



CITY REGION DEAL
Edinburgh & South East Scotland

Innovation and skills partners



Skills
Development
Scotland



THE UNIVERSITY
of EDINBURGH



Fife College



Edinburgh
College



Forth
Valley
College

Making Learning Work



University of
Strathclyde
Glasgow



UNIVERSITY of
STIRLING

Other supportive partners



bp



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FORTH
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