

Finance and Resources Committee

10:00am, Thursday, 19 September 2024

Non-Domestic Rates - Forth Green Freeport Relief

Executive/routine
Wards

Executive
13 - Leith

1. Recommendations

- 1.1 To approve the introduction of the Non-Domestic Rates - Forth Green Freeport relief that will apply to eligible properties within the designated Port of Leith area of the wider Mid-Forth tax site.

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Non-Domestic Rates - Forth Green Freeport relief

2. Executive Summary

- 2.1 The basis of a Green Freeport tax site is to offer incentives to businesses to invest in these areas. One of these incentives is rates relief and this report recommends the creation of a Non-Domestic Rates (NDR) relief for eligible Port of Leith properties based within the Mid-Forth tax site.
- 2.2 The Scottish Government has confirmed that it will meet the full cost of awarding the relief. The Council reserves the right to withdraw the relief should the Scottish Government not fund the relief in full.

3. Background

- 3.1 This report discharges the rate relief element of a wider request by the Finance and Resources Committee on 25 June 2024, for an update on the Forth Green Freeport.

4. Main report

- 4.1 A key element of the Forth Green Freeport is the NDR rates relief that will be awarded to eligible properties for a maximum of five years at up to 100%. The three local authorities (Edinburgh, Falkirk and Fife) involved in the Forth Green Freeport initiative are presenting similar rates relief schemes for approval by their respective governance structures.
- 4.2 NDR relief will be awarded to properties within the designated Port of Leith area of the wider Mid-Forth tax site within the Forth Green Freeport initiative. The detailed relief scheme is included in Appendix 1, with a summary outlined below:
 - The relief scheme is effective following the confirmation of tax site status on 12 June 2024. Committee approval is however required for the Edinburgh relief to become operational.
 - Given the nature of the Freeport arrangement, the relief must be applied for by 30 September 2034.
 - Eligible businesses must apply for the relief and must supply any relevant information requested to support the relief application.
 - All applications must meet one or more of the following overarching criteria: -

- a) Promoting regenerations and high-quality job creation.
- b) Promoting decarbonisation and just transition to a net zero economy.
- c) Establishing hubs for global trade and investment.
- d) Fostering an innovation environment.

4.3 The applicant must also demonstrate the embedding of fair work first practices by signing the Forth Green Freeport Fair Work Charter.

4.4 Key operational aspects of the relief are as follows:

- Relief will be granted at 100% for properties that are newly occupied new builds or newly occupied existing properties.
- Relief will be granted at 100% for properties rateable values which have increased due to improvements, expansions or extensions.
- From an operational perspective, appropriate mandatory reliefs (Business Growth Accelerator, Fresh Start, etc.) will be awarded first and the Green Freeport Relief will be awarded after these expire.
- The maximum period of relief is five years from award date.
- Any reliefs awarded will be subject to the Subsidy Control regime (a special scheme has been created by the UK Government for Freeports)

5. Next Steps

5.1 If Committee approves the relief, the scheme will immediately become operational, and businesses will be able to apply. The relief will be awarded to successful businesses and rates will be adjusted in the normal manner.

5.2 This relief will form part of the Council's wider NDR relief policy and in line with normal Council arrangements, it will be reviewed on an annual basis to ensure it remains fit for purpose.

6. Financial impact

6.1 Awarding the Green Freeport rates relief will have no detrimental impact to Edinburgh Council resources as a funding mechanism (income retention scheme) exists ([Local government finance circular 4/2024](#)) which confirms that the Scottish Government will meet the full cost of awarding (but not administering) the relief. The Council, however, reserves the right to withdraw the relief should the Scottish Government not fund the relief in full.

6.2 The premise of the NDR income retention is that increases in rates from the Green Freeport tax sites (above an agreed baseline) will be retained by the Council to allow investment in new projects to support the Greenport areas. Full details of the income retention and investment opportunities are considered in complimentary reports to Committee.

7. Equality and Poverty Impact

- 7.1 No equality or poverty impacts have been identified in connection with this report.

8. Climate and Nature Emergency Implications

- 8.1 No climate and nature emergency implications have been identified in connection with this report.

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

- 9.1 The risks associated with the scheme relate to non-compliance and the potential for unintended consequences. These matters will be considered, and appropriate adjustments made as part of ongoing reviews of procedures associated with the Freeport and the Council's wider NDR operations.

10. Background reading/external references

- 10.1 [Local Government Finance Circular 4/2024: Green Freeports Non-Domestic Rates Relief and Income Retention](#)
- 10.2 [Finance and Resources Committee – 25 June 2024](#)

11. Appendices

Appendix 1: Port of Leith - Mid Forth Green Freeport Area NDR Relief Criteria

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Applicable Timescales

The relief is available from 12 June 2024 and unless otherwise changed the latest date by which businesses can apply is 30 September 2034.

Legislative Background

Relief will be awarded in terms of Section 3A to the Local Government (Financial Provisions etc) (Scotland) Act 1962 as amended by Section 140 (Part 11) to the Community Empowerment (Scotland) Act 2015.

Overarching Eligibility Criteria

To be eligible for relief, all applicants must meet one or more of the following criteria:

- Promoting regeneration and high-quality job creation.
- Promoting decarbonisation and just transition to a net zero economy.
- Establishing hubs for global trade and investment.
- Fostering an innovation environment.

In addition to the above four key principles, the applicant must demonstrate the embedding of fair work first practices by signing the Forth Green Freeport Fair Work Charter.

Categories of Eligible Properties

Where an applicant is a ratepayer in respect of one of the following types of property and is otherwise eligible under the qualifying criteria set out in [Local Government Finance Circular 4/2024](#) they will be entitled to relief of up to 100% of NDR that would normally be owed on that property for a period of five years, subject to the principles outlined below:

New Build and New Occupation

100% relief will be granted on properties that become occupied for the first time within the set timeframe (12/06/24 to 30/09/34) regardless of whether they are occupied by new or existing businesses (the latter so long as it is expanding into further properties).

- Newly occupied new builds (these will be identified by a mark on the valuation roll under section 2A of the Local Government (Scotland) Act 1975).
- Newly occupied existing property if the property is occupied by a “new business” for the first time regardless of whether the property has been occupied previously; or by an “existing business”, providing the existing business is expanding into a separate further property in addition to the one(s) it already occupies in the Green Freeport designate area. The relief is only available when properties become occupied for the first time within the specified timeframe (12/06/24 to 30/09/34), regardless of any previous occupation that ended prior to this timeframe.

No relief will be awarded in this provision where it is deemed that the business has just moved from an area out with the Green Freeport designated area into the Green Freeport designated area (displacement) unless it meets the “but for” test, i.e. demonstrates that in doing so it has met one of the 4 overarching principles, fair work criteria and that without the Green Freeport incentives the relevant investment would not have occurred.

New Part-property Occupation and Property Improvements

100% relief will be awarded based on any increased rateable value of new space that has been newly built or occupied, or to the increased rateable value of a property attributed to improvements to an existing occupied space. This covers the following situations:

- Where the occupier of a property creates a new space by expanding the property (e.g. builds an extension).
- Where the occupier of a property newly occupies a previously unoccupied part of a property (e.g. newly occupies a previously unoccupied new room/floors in an existing property).
- Where the occupier of an existing property makes new space useable through a property development or other improvement (e.g. installation of a mezzanine level or any other improvement work). These improvement changes can be identified by the Assessor marking the valuation roll as a property improvement in terms of Section 2A of the Local Government (Scotland) Act 1975.

No relief will be awarded under this provision where:

- The expansion is merely into a part of a property that is already in use.
- The improvement is to a space that prior to the Green Freeport designation, was already occupied and in use (i.e. no relief awarded for general refurbishments/improvements such as heating or air conditioning).
- The expansion pre-dates the Green Freeport designation.
- Where it is deemed that the business has displaced from another area out with the Green Freeport area unless it meets the “but for” test, i.e. demonstrates that in doing so it has met one of the 4 overarching principles, fair work criteria and that without the Green Freeport incentives the relevant investment would not have occurred.

Requirement for an Application

Businesses wishing to apply for Green Freeport relief must complete the application process, which will be hosted on the Council’s website.

Information and Evidence

Council officers reserve the right to request supplementary information from businesses deemed appropriate in support of their application. They will make the relief decisions and will accept a letter of support from the Forth Green Freeport operating company as proof that the applicant meets the necessary overarching principles laid out above.

Overlapping Reliefs - Interaction

A property may be eligible for Green Freeport relief and another relief such as Business Growth Accelerator relief or Fresh Start relief. The other relief will be awarded first and the Green Freeport relief will be awarded (for the full five years) when the other relief ends.

Recovery of Overpaid Relief

Where it is established that an award has been made incorrectly, whether due to fraud or error on the part of the applicant or if relevant eligibility conditions are no longer met, the Council will seek to recover the amount of the award in full.

Subsidy Control

Green Freeport relief is subject to the Subsidy Control Act 2022 and any relief awarded under the Council’s scheme will be given in compliance with the Act.