

Agenda Item	<b>3</b>
Report No	<b>ECI/31/24</b>

## The Highland Council

**Committee:** Economy and Infrastructure

**Date:** 11 June 2024

**Report Title:** Inverness and Cromarty Firth Green Freeport – Full Business Case Update

**Report By:** Chief Executive

### 1 Purpose/Executive Summary

- 1.1 This report provides an update on progress with the Full Business Case (FBC) for the Inverness and Cromarty Firth Green Freeport (ICFGF) and its relevance to Highland communities and businesses, and the Highland Council as Accountable Body for the ICFGF. The FBC itself is presented for approval under a separate paper at this meeting, to be considered as confidential due to the commercially sensitive nature of some of the content.
- 1.2 There have been no material changes to the strategic direction set out in the FBC from the Outline Business Case (OBC). The FBC adds more detail to the overall ICFGF project outline and embellishes certain elements whilst also responding to the specific actions and further information requested by Scottish Government and UK Government. The purpose of the FBC is to put in place the management arrangements for the successful delivery of the project's outputs and activities.
- 1.3 The finalisation of the FBC marks a major milestone in the delivery of ICFGF which will make a significant contribution towards meeting the local and national transition to net zero, creating high quality, long-lasting employment in a green economy, regenerate, strengthening communities across the region and reversing demographic challenges. Approval of the FBC by the Scottish and UK Governments would mean that the ICFGF officially exists with all customs and tax powers for a period of 25 years.
- 1.4 The Green Freeport is anticipated to be operational later this year but has already attracted considerable interest and unlocked significant investment as outlined in section 4. Beyond the FBC the aim is to establish a Delivery Programme to monitor the ongoing timing and delivery of each element of the Green Freeport. This will help the Council's ongoing role as Accountable Body and the respective resourcing of planning advice and applications for the ICF developments and the associated jobs and wider housing and infrastructure.

## 2 Recommendations

2.1 Members are asked to recommend that Council:

- i) **Note** the Executive Summary of the Full Business Case for the Inverness and Cromarty Firth Green Freeport enclosed at **Appendix 1**, noting the environmental, social and economic benefits which are expected to be achieved for the region;
- ii) **Agree** that the Council's obligations, under its Accountable Body role, will continue after the FBC has been completed. These obligations include the ongoing monitoring and verification that the operation of the Green Freeport ensures propriety, compliance with regulations and value for money;
- iii) **Agree** that the proposed NDR Investment Plan (and subsequent reviews) referred to in Section 5 of the report are reported to future meetings of the Inverness and Cromarty Firth Green Freeport Monitoring Group and formally considered by the Economy & Infrastructure (E&I) Committee for response to the Green Freeport Company; and
- iv) **Agree** that the Assistant Chief Executive - Place continues as the Council's nominated Director on the Green Freeport Company Board until such time as the Memorandum of Understanding between UK/Scottish Governments, the Green Freeport Company and the Council has been signed and agreed (anticipated to be November 2024).

## 3 Implications

### 3.1 Resource

- 3.1.1 The ICFGF is anticipated to bring significant benefits and economic opportunities, as well as increasing the number and diversity of jobs in Highland. This will bring associated requirements for new housing and infrastructure and work is proposed to coordinate its delivery through the ICFGF Company, the Highland Council, private sector partners, the UK and Scottish Governments and Key Agencies.
- 3.1.2 Staff resource is required for the Council's ongoing participation in ICFGF. Beyond the set-up stage, the day-to-day operation of the Green Freeport will require Council staff resource, with a focus on finance, revenues, corporate functions and ongoing requirements relating to planning and other regulatory processes. Staff resource will also be required to fulfil the Council's Accountable Body obligations. This will be funded from retained Non-Domestic Rates (NDR) income generated from the Green Freeport tax sites.
- 3.1.3 The UK Government has made up to £1m of grant funding available to each of the Green Freeports to assist with the set-up stage. The first tranches of this funding have already been made available and have been used to help fund the Company's costs during the preparation of the business cases. As Accountable Body, the Council will also be responsible for the management of the seed capital of £25m, the collection and retention of NDR and the accounting, administration and reporting of these sums.

- 3.1.4 The Council is currently represented on the Green Freeport Company Board by the Assistant Chief Executive for Place, with the S95 Officer being given observer status at Board meetings to assist in discharging the Council's role as Accountable Body.
- 3.1.5 There may also be resource implications arising from any Council investment and/or Council funding associated with infrastructure related to the Green Freeport. These implications could relate to investment needs directly related to the Council's landholdings within tax sites, investment needs in the wider economic area related to population/employment growth arising from the Freeport (schools, housing etc) and potentially expectations on the Council around supporting enabling infrastructure. There would be expected to be associated financial and economic benefits linked which would be considered at the appropriate time as part of any decision making.

## 3.2 Legal

- 3.2.1 As identified in the previous reports to Council, there are two principal elements of the operation of the proposed Green Freeport that give rise to legal implications for the Council. The first, and possibly more significant aspect, arises from the Council's agreement to act as the Accountable Body for the Green Freeport. In summary, this means that the Council will be accountable to both Governments for the expenditure and management of central funding including revenue funding, seed capital investments and retained Non-Domestic Rates, and in turn accountable for providing assurance to Government on the Green Freeport's processes for management of their financial affairs. Further the FBC makes clear that the Council's S95 Officer must sign off any and all payments from the net retained NDR fund and that the Council has a right of veto.
- 3.2.2 The second element arises from the operation of the Green Freeport itself. The governance arrangements for the setup and ongoing operation of the Green Freeport are set out in detail within the Full Business Case.
- 3.2.3 Finally, it is important to recognise that the Council will have an interest in the operation of the Green Freeport as the owner (through Inverness Common Good Fund) of the tax site at the Longman, Inverness.

## 3.3 Community (Equality, Poverty, Rural and Island)

- 3.3.1 As set out in the previous Council reports, the Green Freeport is anticipated to generate a number of significant benefits for communities in the area and across the wider Highland region. The Stakeholder Management and Communications section of the FBC outlines the approach to ongoing communications and engagement with communities and businesses – further details are set out in Section 5 of this report. The FBC also recognises the important role of the Area Place Planning work, which is being supported by the Council.
- 3.3.2 An impact assessment has been completed which includes equality and socioeconomic considerations. The matrix is included within the FBC that reflects the varying impacts across three areas: Green Freeport Company Establishment and Activities, Tax and Customs Sites Establishment and Infrastructure Development. It reflects the potential positive and negative impacts across these three areas and for each of the protected characteristics. Where potential negative impacts have been recognised, appropriate mitigations have been identified.

3.3.3 In addition to the mitigations identified across the different protected characteristics, equality and diversity outcomes will be required to be monitored by the Green Freeport Company on a regular basis. Included within the FBC are a range of commitments for the company including:-

- adopt an Equality, Diversity & Inclusion (EDI) Policy, with a Board Director appointed as EDI Champion;
- adopt a Skills Strategy that seeks to actively promote delivering positive outcomes for people with any of the nine protected characteristics and experiencing socio-economic disadvantage (including via the Green Freeport Skills and Innovation Fund) – this ties in with the Council’s Delivery Plan (2024-2027) and in particular the Workforce for the Future programme which sets out cross-sectoral career pathways, skills packages and partnerships to develop the future workforce of the Highlands to meet current and future business demand, attracting public/private investment and best practice;
- include an explicit requirement to consider potential impacts on people with protected characteristics and experiencing socio-economic disadvantage and mitigating actions that will be taken for decisions on retained Non-Domestic Rates; and
- develop an action plan setting out the actions required to promote equality, diversity and inclusion which will be monitored by the Board on a regular basis.

### 3.4 **Climate Change / Carbon Clever**

3.4.1 The Decarbonisation Plan for the Inverness & Cromarty Firth Green Freeport (ICFGF) outlines strategic objectives and projects aimed at achieving Net Zero emissions by 2045, aligned with the Scottish Governments targets. The FBC describes how the Green Freeport will support a Just Transition to Net Zero emissions through six primary objectives: decarbonising Freeport activities, increasing green economy jobs, fostering clean growth investments, engaging local communities, addressing broader sustainability, and implementing sustainable procurement practices.

### 3.5 **Risk**

3.5.1 There are a series of risks and responsibilities associated with the Council’s role as Accountable Body. Also, the obligation on the Council’s S95 Officer on behalf of the Accountable Body to provide annual written letters of assurance to Government regarding the Green Freeport’s processes for proper administration of their financial affairs, and the steps and checks the S95 Officer has undertaken in providing those letters of assurance. To mitigate the risk of the Council, as the Accountable Body, providing inaccurate assurances to the Scottish Government, a number of monitoring and control arrangements are being jointly agreed with ICFGF Ltd to provide the S95 Officer with sufficient background information to substantiate the statements made to the Scottish Government.

- 3.5.2 There may be risks and uncertainties around the realisation and timing of non-domestic rates (NDR) receipts, and expectations on timing and use of funds. The NDR revenues are also over a long-term period, and on an ongoing basis the Council will need to ensure any wider policy or regulatory proposals/changes that may come forward around NDR have no risk or consequence for the Council. Further mitigation will be identified and incorporated into the governance structure to ensure that it is in-built to future decision making, regularly assessed and therefore minimises exposure of the Council.
- 3.5.3 The Scottish Government has confirmed that the NDR relief arrangements for Scottish Green Freeports will be the same as Freeport counterparts in England. The FBC is being submitted on this basis and reflects the Scottish Government's published guidance for NDR relief.
- 3.5.4 There are a series of risks associated with the delivery of the developments and objectives of the Green Freeport. To help identify and manage the risks associated with the delivery of the developments and objectives of the Green Freeport, a dedicated Risk Register for ICFGF has been prepared and included within the FBC. Among the most significant risks to the overall delivery of the plans is a lack of skilled workforce which would reduce the economic impact, and inaction in suitably upgrading the capacity of the grid which would constrain development and economic activity.
- 3.5.5 With reference to wider amenity issues, any proposals for expansion or intensification of commercial activity and operations across the Green Freeport will need to carefully consider the levels of noise for neighbouring properties and communities. Any future development or expansion of port areas would require adherence to established planning controls and policies. The awarding of the Green Freeport status does not negate the requirement to obtain planning consent (where required) or satisfy other regulatory requirements including environmental impact assessments – including noise – where relevant to the development under consideration. The planning workstream outlines how individual developments and applications will be expected to adhere to these requirements.
- 3.6 **Health and Safety (risks arising from changes to plant, equipment, process, or people)** – No direct implications for the Council.
- 3.7 **Gaelic** – Although there are no direct implications for the Gaelic language, the Council will ensure Gaelic is incorporated within any Council publications or other material wherever appropriate in line with policy.

## 4 Progress since OBC

- 4.1 The finalisation of the FBC marks a major milestone in the delivery of Green Freeport status to the region by the private-public-academic partnership. The ICFGF programme will help the repopulation of the Highlands, maximising the opportunities created through the establishment a Green Freeport. With some 520 hectares of land for development the proposals are estimated to deliver over £6.5bn of investment over the next 25 years, enable 18,300 long-term jobs for the UK and provide NDR revenues of £547m for re-investment in the region. At a national level, the ICFGF programme will be key to achieving the UK and Scottish Governments targets for energy security and net zero.

Accordingly, there has been considerable work undertaken across the members of the consortium to gather a detailed picture of what Green Freeport status will bring in terms of development, infrastructure requirements and ongoing tax revenue retention that can be used to deliver wider benefits across the region.

- 4.2 Leading up to this stage, there have been several reports to keep Council informed on the various stages of work both in preparing the bid and the FBC. Following Council approval in June 2022, the bid was submitted to UK and Scottish Governments later that month and on 13 January 2023 ICFGF was selected as one of two Green Freeports in Scotland.
- 4.3 In October 2023, Council approved the OBC which was then submitted to Scottish and UK Governments. In December 2023, government feedback was received on the OBC and was categorised into ‘critical actions’ which were required to be addressed prior to the OBC receiving governmental approval, ‘substantive actions’ which were needed to be addressed as part of the FBC, and ‘additional feedback’ which were suggested issues to consider addressing the FBC. The responses to the critical actions were submitted in January, with all being accepted and formal confirmation that the OBC was approved by Scottish and UK Governments was received on 29 February.
- 4.4 On 18 March 2024, a Statutory Instrument was laid to designate tax sites for the Inverness and Cromarty Firth Green Freeport and these regulations came into effect on 8 April 2024. This confirmed the legal status and boundaries of the ICFGF tax sites. Meanwhile, the catalyst effect of the Green Freeport designation has been confirmed with interest from the renewable energy industry around the world. It was a key factor in Japanese company Sumitomo Electric’s recently announced plans to develop a major new cable manufacturing facility at Nigg, in Easter Ross. The Sumitomo cable factory was granted planning permission in February 2024 and the main building contract has now been let
- 4.5 Port of Ardersier owner Haventus has also secured a further £100m in joint credit from the Scottish National Investment Bank and UK Infrastructure Bank to fund the redevelopment of Ardersier Port in Scotland, boosting the UK’s offshore wind capability. This follows an initial £300m cash injection from energy investment firm, Quantum Capital Group, in 2023. Overall, ICFGF is proving to be one of the most attractive freeports in the UK to date with many more parties expressing genuine interest in investing in the area. Alongside the core ICF developments, vital housing projects have been approved that will contribute to the housing to align with the anticipated employment growth.
- 4.6 The Council will continue to play an important role in enabling and supporting the progress of these initial ICF related developments and related developments through planning and other regulatory processes. The ongoing support and confidence of Key Agencies and Scottish Government teams will be essential in the next stages. Scottish Government has developed a protocol that guides how national and local partners across all sectors will be expected to work together to deliver the scale and range of anticipated benefits and impact. In line with this approach the Council is working proactively with the Key Agency Group and partner organisations in addressing these requirements. As part of this work greater certainty is sought on nationally led infrastructure projects – particularly the Tomich junction, the A9/A96 ‘East Link’ project and the A9 and A96 dualling projects themselves – that are deemed to be critical enabling infrastructure for the setup and operation of the Green Freeport.

- 4.7 The Inner Moray Firth Local Development Plan that will support ongoing delivery of the ICFGF is expected to be considered for adoption at the Council meeting of 27 June. More detailed analysis of housing and employment growth is being undertaken to understand the requirements of the ICFGF and this will form part of the initial evidence gathering for a new Highland Local Development Plan. The Council has also expressed interest in being early adopters of Masterplan Consent Areas as a potential tool to support the delivery of tax sites development and associated infrastructure as set out in the response to Scottish Government approved by this Committee on 2 May.

## 5. Summary of Full Business Case

- 5.1 The structure and content of the FBC follows the governments template which is in line with HM Treasury guidance on how to appraise and evaluate policies, projects and programmes which includes Strategic, Economic, Commercial, Financial and Management cases. The emphasis at OBC is typically on demonstrating the strategic case, with only relatively high levels of information required on the remaining components. The Committee report in October 2023 described the purpose of each of the 5 cases and set out the key features from the OBC. The following summarises the main changes since the OBC stage and additional information which now forms part of the FBC.

### 5.2 Strategic Case

- 5.2.1 This section demonstrates that the Inverness and Cromarty Firth Green Freeport (ICFGF) has the potential to deliver a step change in high value- added economic growth, skills, innovation, trade and investment as well as playing a significant role in decarbonisation. It sets out the economic rationale for public intervention and the reasons for green freeport status. It also details the overall outputs and outcomes, particularly in terms of regeneration and high-quality job creation, decarbonisation and a just transition to a net zero economy, hubs for global trade and investment and an innovative environment.

- 5.2.2 Tax sites – The Special Tax Sites are one of the most important elements of the Green Freeport as they are the areas which benefit from the tax incentives made available through Green Freeport status. There have been several significant points of progress to note since the previous report to Council. Firstly, the formal designation and finalisation of the legal status of the Green Freeport tax sites came into effect on 8 April 2024. This makes live the tax incentives and allows businesses developing the sites benefit from them.

- 5.2.3 Secondly, the FBC presents the final tax site boundaries which total 520ha - shown in **Appendix 2**. Some amendments were made to the tax sites since OBC stage, including the removal of land owned by Whyte and Mackay in Invergordon, the Rural and Veterinary Innovation Centre (RAVIC) at the Campus and land surrounding the Caledonian Stadium from the Former Longman Landfill tax site in Inverness. These changes were largely in response to Government feedback which questioned the alignment of the sites with the overall objectives of ICFGF. New areas that had been introduced within the OBC, most notably Highland Deephaven and Port of Ardersier, were approved by Government along with the other existing tax sites. The new areas bring substantial benefits to the overall Green Freeport proposition in Highland, comprising large industrial sites with direct marine access that are highly desirable to inward investors and will support the national priority of maximising UK content for offshore wind manufacturing.

- 5.2.4 Custom sites – Green Freeport customs site benefits will complement the core activity proposed on our tax sites. At least one customs site is required by the governments for full Green Freeport designation to be approved. As set out within the FBC, Global Energy Nigg will be ICFGF's first customs site, having recently completed the HMRC authorisation process. At the time of writing, HMRC's Legal Team is in the process of drafting the relevant order and estimate sign-off in early June 2024. Additional customs sites may be taken forward in the future.
- 5.2.5 Retained non-domestic rates - As a means of delivering longer-term and enduring outcomes for the Highland economy and communities, the local retention of incremental non-domestic rates (NDR) growth generated on Green Freeport Tax Sites is expected to be one of the most valuable elements of the Green Freeport package. Retained NDR, although dependent on the delivery of new development on tax sites, will act as a multiplier on initial success. Following further detailed analysis by an independent Chartered Surveyor it is now forecast that the potential NDR revenues could be worth some £547m over 25 years. Scottish Government have confirmed that Scottish Green Freeports will be given the same NDR relief benefits as their Freeport counterparts in England.
- 5.2.5.1 As per both governments guidance on Green Free Ports the local authority/authorities will remain accountable for the use of the retained non-domestic rates (as public funds), and the strategic direction for the use of retained non-domestic rates should be set by the Green Freeport governing body.
- 5.2.5.2 Retained non-domestic rates should be used to promote the Green Freeport's objectives within the Green Freeport geography or wider Travel to Work Area and for activity that: would not otherwise occur; demonstrably requires public funding; and is most appropriately funded from retained non-domestic rates, rather than other public funding pots.
- 5.2.5.3 Once the Green Freeport is fully operational (i.e. post FBC approval), the Green Freeport Company Board will adopt a Green Freeport NDR Investment Plan which will include:-
- The Investment Policy, setting out:-
    - a) the objectives of the net retained NDR programme, and
    - b) the types of investment that will be eligible.
  - The process of identifying potential investments.
  - The process of evaluating, prioritising and approving specific investments for onward submission to the Highland Council in its role as Accountable Body.
  - Arrangements for monitoring, evaluating and reporting on the outcomes, including measuring outcomes.

The Highland Council must consider the Green Freeport Company Board's proposed Green Freeport NDR Investment Plan and once satisfied shall sign off the Investment Plan in its role as Accountable Body.

The Green Freeport Company will review the Green Freeport NDR Investment Plan at a minimum every three years.



- 5.2.5.4 In addition to its role as Accountable Body and in recognition of the key role it may play in delivering some of the NDR funded infrastructure, it is proposed the Highland Council be a key consultee in the formation of the NDR Investment Plan by the Green Freeport Company. This process will seek views from elected members and senior leadership to identify opportunities and challenges in delivering the aims of the Green Freeport, with the format and process for this input being determined by the Highland Council. It is recommended that the investment plan (and subsequent reviews) are considered through the Monitoring Group and formally submitted to the E&I Committee for decision and subsequent response to the ICFGF Company.
- 5.2.5.5 The Highland Council will also be required to endorse the NDR Investment Plan in its role as Accountable Body in terms of governance and alignment with the stated aims of the Green Freeport. Following this process the Green Freeport Company Board will then approve the plan and share with the Scottish and UK Governments.
- 5.2.5.6 The Green Freeport Company will review the Green Freeport NDR Investment Plan at a minimum every three years, but it's proposed this be reduced to 2 years if the economic and emerging inward investment opportunities merit earlier review. The above proposed consultation with the Highland Council will occur each time the Investment Plan is reviewed.
- 5.2.6 As now set out in the Governance section, an 'investment subgroup' made up of representatives from the green free port company and the Highland Council will be set up with the aim of identifying suitable projects to recommend to the Board and ultimately the Accountable Body.
- 5.2.7 Tax Site Delivery Agreement - Since OBC stage, all tax site landowners have now formally committed into 'Tax Site Delivery Agreements' (TSDA) with the Green Freeport Company that sets out the actions on all parties which will be necessary to ensure timely delivery and benefit maximisation on tax sites. Through the TSDA, landowners have committed to using all reasonable and commercial endeavours to ensure that their land is, as soon as reasonably possible, developed for uses that generate genuine additional economic activity. It also includes a mechanism for contributions by landowners to the Green Freeport Company to support the Green Freeport Skills & Innovation Fund from the national insurance contributions relief. The agreements are binding on tenants and future owners. The landowners have committed to delivery of the Green Freeport's fair work and net zero charters and any landowners which do not adhere to the agreements can have some of the benefits of the Green Freeport status withdrawn.
- 5.2.8 Equalities - An equalities impact assessment has now been completed and reflects the comments made in relation to the OBC. The baseline table has been updated to reflect the latest figures available and an assessment matrix has been added that reflects the varying impacts across three areas: Green Freeport Company Establishment and Activities, Tax and Customs Sites Establishment and Infrastructure Development. It reflects the potential positive and negative impacts across these three areas and for each of the protected characteristics. Where potential negative impacts have been recognised, appropriate mitigations have been identified.

5.2.9 Skills - The FBC recognises that to capture the potential value of the ICFGF, and if the benefits are to be fairly distributed, there must be the right supply of skills in terms of volume and skills mix. If people are to benefit, they must also be able to access the learning and skills development they need. This will require investment in skills infrastructure as well as awareness raising.

5.2.10 Whilst the Skills and Fair Work section was reasonably well developed at OBC stage and had its Ten Point Plan for Skills already outlined, the skills section in the FBC has been further developed and ties in with the Council's Delivery Plan (2024-2027) and in particular the Workforce for the Future portfolio. The Skills Plan contains full details of:-

- existing skills provision in the ICFGF area and how it is addressing the identified gaps;
- how ICFGF is planning to encourage employers to engage, with local and national skills stakeholders, including colleges and skills providers and DWP;
- a plan for providing relevant training opportunities;
- a plan for encouraging/incentivising employers to provide employment and progression in work for those from disadvantaged groups, those not currently in employment, and those in low-paid work; and
- a summary of the skills initiatives the Green Freeport will fund/deliver and a clear commitment to investing in the upskilling/retraining of the workforce and how we will access existing skills funding and aligning with relevant local and national strategies.

5.2.11 The FBC also recognises the requirement to provide a ladder of opportunities, from school pupils being informed of emerging opportunities, to targeted interventions for the unemployed, those on low wages as well as those in employment requiring upskilling and reskilling. It also includes talent attraction and retention as a priority, for example encouraging previously Highland domiciled Higher Education students to return to the region.

The Council's Delivery Plan (2024-2027) and in particular the Workforce for the Future programme sets out cross-sectoral career pathways, skills packages and partnerships to develop the future workforce of the Highlands to meet current and future business demand, attracting public/private investment and best practice. This partnership and complementary initiative will be central to the Council, ICFGF and partners around which resources can be aligned, and activity planned/delivered.

5.2.12 A recent example of how the skills plan is being delivered is the first Green Careers Expo which was held in February at Alness Academy and was organised by Developing the Young Workforce (DYW) in conjunction with Skills Development Scotland (SDS). More than 600 young people from across the region attended the with more than 30 exhibitors it brought together a wide range of employers, training providers, educational institutions, and partners to inspire the next generation.

5.2.13 Net Zero – This section of the report sets out how ICFGF aims to support a just transition to net-zero emissions by 2045, aligning with national goals. By 2035, ICFGF plans to achieve carbon payback, offsetting emissions from construction and operation, contributing significantly to national and global decarbonisation efforts through renewable energy projects.

## Key Objectives

The Decarbonisation plan sets out a series of objectives ICFGF will undertake as part of its commitment to Net Zero

- Decarbonisation Management: Implement and monitor strategies to reduce emissions from ICFGF activities.
- Economic Growth: Increase green economy jobs and develop skills.
- Investment in Clean Growth: Attract investments in clean growth technologies and supply chains.
- Community Engagement: Collaborate with local communities and stakeholders.
- Sustainability Goals: Address broader sustainability goals aligned with the UN Sustainable development Goals.
- Sustainable Procurement: Implement sustainable procurement practices.
- Policy Alignment: Ensure alignment with national and regional policies.
- Emissions Quantification: Measure carbon emissions within ICFGF's control and influence.
- Governance Framework: Establish a net-zero governance framework following PAS 2080 standards.
- Just Transition: Support Scotland's Just Transition Plan.
- Landowner Commitment: Secure commitments from landowners to the ICFGF's Net Zero and Sustainability Charter.

## Emissions Impact and Savings

- Control Emissions: Emissions from construction (1,010 ktCO<sub>2</sub>e) and operations (1,090 ktCO<sub>2</sub>e) are forecasted to peak in 2028 and decrease by 2050.
- Influence Emissions: Significant carbon savings through the production of green hydrogen and the facilitation of offshore wind energy projects:  
Cromarty Hydrogen Phase 2 (50MW Electrolyser): Avoids 1,030 ktCO<sub>2</sub>e by 2050.
- Confidential Project (1GW Electrolyser): Avoids 17,500 ktCO<sub>2</sub>e by 2050.  
Offshore Wind Deployment: Low scenario (5GW) avoids 6,430 ktCO<sub>2</sub>e; high scenario (7GW) avoids 9,000 ktCO<sub>2</sub>e.
- Total Carbon Savings: Estimated at 24,960 ktCO<sub>2</sub>e (low ambition) to 27,530 ktCO<sub>2</sub>e (high ambition) by 2050.

## Carbon Payback

ICFGF projects to achieve carbon payback by 2030, with a target set for 2035 to account for uncertainties and dependencies.

## Carbon Management Strategies

All tax site landowners have signed the Net Zero & Sustainability Charter.

Actions to align with PAS 2080 requirements, including annual emissions tracking and sustainable procurement.

Engagement with stakeholders to facilitate decarbonisation.

## Sustainable Procurement

Adopt practices as per the Procurement Reform (Scotland) Act 2014.

Focus on improving environmental, social, and economic well-being, reducing inequality, and promoting innovation.

Engage SMEs, third sector bodies, and supported businesses in procurement processes.

## Net-Zero Governance

ICFGF commits to leading regional decarbonisation efforts, embodying sustainable practices, and ensuring all landowners adhere to the Net Zero and Sustainability Charter. This includes comprehensive carbon management, active participation in regional decarbonisation initiatives, and providing annual progress updates.

This plan underscores ICFGF's commitment to becoming a model of effective decarbonisation and sustainable development, significantly contributing to Scotland's national net-zero targets by 2045.

## 5.3 Economic Case

5.3.1 This section sets out the critical success factors (e.g. strategic fit with policy objectives, achievability and value for money) that have been applied to develop a short list of options for appraisal. It then undertakes an options appraisal to assess the benefits (Green Freeport designation and £25m in government funded seed capital) and costs of these options, demonstrating the additionality of ICFGF and assessing its value for money and risk, before recommending a preferred option to progress to Full Business Case. The assessment undertaken shows that the full package of incentives is essential for attracting investment in the key sectors and helping against the four key objectives:-

- 1) Promote regeneration;
- 2) Global trade and investment;
- 3) Hotbeds of innovation; and
- 4) Decarbonisation and just transition

5.3.2 Tax relief window extension - Following confirmation from the governments that the window in which the package of Green Freeport tax site incentives is available will be extended from 5 years to 10 years, the FBC has been amended to take account of the corresponding changes. The extension ensures the benefits can be maximised and the assessment in the FBC shows a 10-year tax site designation is estimated to unlock significantly more capital investment and jobs over the 25-year period. The total number of jobs created are forecasted to be 18,300 jobs for the UK, 11,300 of which would be in the Highlands.

5.3.3 Seed capital - As set out in the Strategic Case, a programme of investment has been developed to invest £25m of seed capital funding in the necessary enabling infrastructure to unlock land for use within tax sites and help maximise the full potential of Green Freeport opportunities as soon as possible. Since the Green Freeport OBC, project sponsors responsible for the 11 preferred seed capital projects were invited to submit individual project OBCs to the Council for assessment and determination as to whether they pass the gateway test to proceed to FBC. The seed capital OBC template adhered to the principles of HM Treasury Green Book and supplementary guidance. The seed capital OBC process further assessed the preferred option in the context of the expected economic benefits, viability and affordability; prepare the projects for procurement; and will assist in putting in place the necessary funding and management arrangements for successful programme delivery.

This process has resulted in no material change (projected outputs and outcomes remain unaltered) to the 11 projects forming part of the 'Maximum Ask' option at OBC stage. Upon confirmation that the full £25m seed capital funding has been awarded to the accountable Body (seed capital OBC working assumption), project sponsors will be invited to submit a Full Business Case to the Council to ensure that appropriate due diligence is carried out prior to the formal offer of public subsidy by way of seed capital grant.

- 5.3.4 Alongside the tax site and seed capital, the utilisation of retained Non- Domestic Rates will present significant opportunities to enhance infrastructure, housing and local economic development in the wider ICFGF area.

## 5.4 Financial Case

- 5.4.1 This section demonstrates the affordability of the Green Freeport under the preferred intervention option with regards to seed capital projects and sets out a credible plan for funding the operation of the Green Freeport in the medium-term and ensuring its long-term financial sustainability thereafter. It also outlines the importance of receiving further capacity funding from UK and Scottish Governments as well as setting out the main financial risks to the Green Freeport.

- 5.4.2 There are a number of considerations related to the Financial Case. Firstly, the financial assumptions and ensuring ongoing financial viability of the Green Freeport company, secondly, the components of public sector funding for which the Council has responsibility as Accountable Body and thirdly any financial implications directly for the Council.

- 5.4.3 Green Freeport Company financials - The setting up of the Freeport Company has been jointly funded by the RDEL Govt Funding and by financial contributions from Tax Site Owners. As the freeport develops over time with Tax Sites and Customs sites, the increased NDR income will become available to fund the Freeport Company's ongoing costs. Detailed expenditure figures and reliance on NDR income are outlined in the FBC.

As part of the Council's Accountable Body's role, the Council will be monitoring the ongoing financial viability of the Freeport Company through reviewing Budgets, Financial Planning and audited Annual Accounts.

- 5.4.4 Accountable body role – The Council as Accountable Body has the responsibility for the public funding associated with the Freeport, and the accounting, administration, monitoring and reporting to Government in that regard. As set out within this report and the FBC there are 3 main elements of public sector funding:-

- i) the RDEL setup funding for establishment of the Freeport Company and ongoing operations during OBC/FBC phase;
- ii) the £25m of Seed capital funding for Freeport projects and;
- iii) the estimated £547m of retained NDR over 25 years which the Council will collect and administer.

Further information on governance and the Accountable Body role is set out within this report and FBC.

- 5.4.5 Direct financial considerations – The Council is a landowner/tax site owner and therefore may have both financial costs and implications associated with that ownership, as well as the opportunity for financial and non-financial benefit associated with that ownership. There may be wider implications for the Council, for example related to any enabling or infrastructure works which may have a public sector enabling role, and also based on the Council’s service responsibilities and longer-term infrastructure (e.g., schools, housing, etc.) which may relate to the economic growth enabled by the Freeport. These matters would be considered at the appropriate time and as part of the Council’s existing medium-term financial planning approach.
- 5.4.6 Seed capital - The £25m seed capital proposition set out in the Financial Case has been refreshed since the OBC, taking account of the individual Outline Business Cases for the seed capital projects. Upon confirmation of the award of the seed capital funding, project sponsors will be invited to submit a Full Business Case to the Accountable Body for review. This review will be conducted by the newly created ‘investment sub group’ made up of representatives from the green free port company and the Highland Council. As part of the FBC review, a further subsidy control assessment will be carried out and the Council will ensure that all seed capital projects align with the governments recently published Green Freeport subsidy control guidance. If required, a change request will be sought from Government for an alternative scheme based on the reserve list of seed capital projects.
- 5.4.7 Whilst the Council is the Accountable Body for the accounting and public governance of the £25m Seed capital funding, it is the Green Freeport and individual partners who will deliver the capital investment programme, managing project delivery, risk and outcomes.
- 5.4.8 The £25m in seed capital funding will be complemented by over £60m in further public funding and almost £175m in private sector funding, contributing to a total spend of seed capital projects of around £260m.
- 5.4.9 Other investments - Additionally, a range of wider complementary interventions have been identified which will be delivered across the Green Freeport geography and collectively help the key objectives. These complementary interventions encompass public and private investments, local and central government initiatives, and local strategies. The Council’s recently approved Highland Investment Plan - which will see investment of around £800m over 10 years and £2b over 20 years to transform the Council’s asset base by unlocking substantial capital funding and creating centres of community service delivery – has now been incorporated within the FBC.
- 5.5 **Commercial Case**
- 5.5.1 This section sets out the delivery and management strategies for both tax and customs sites and mitigates against underdevelopment, the wrong type of development and value leakage. The steps involved include site selection and landowner engagement, tax site delivery agreements and ongoing management measures.

5.5.2 The Commercial Case now includes several important sections which set out the roles and responsibilities of the Accountable Body, ICFGF company and recipients of public funds. These new sections include:-

- Procurement Strategy - a robust framework, in line with the UK Government's guidance, for procurement seed capital and capacity funding which ensures the projects demonstrate that procurement will be conducted using best practice and that will secure value for money. Seed capital projects will be procured through the project promoters with final details of their procurement approach set out in the full business cases submitted for approval to the Green Freeport Board and the Accountable Body.
- Risk transfer – a framework for how risks will be allocated and managed between ICFGF members and contractors in relation to seed capital schemes – which is central to strong and successful commercial contracts. The seed capital full business cases will be required to include a detailed risk register covering all the risks that apply to the project and clearly documenting who is responsible for each risk. Neither the Green Freeport Company, nor the Highland Council in its role as Accountable Body, takes responsibility for commercial or financial risks associated with third party schemes.
- Contract management - Seed capital scheme promoters will be responsible for implementing suitable contract management arrangements. Preliminary information on commercial models and contract management which was provided within the seed capital Outline Business Cases has been included with further details required as part of the full business cases.
- Subsidy control – This section sets out the Council's assessment of subsidy control considerations in the context of public sector capital and revenue funding as well as non-domestic rates relief and retention and how these will be managed, based on BEIS' guidance for public authorities. It sets out how the Council will utilise the recently prepared Scottish Green Freeports Subsidy Scheme when making Non-Domestic Rates Relief awards and Seed Capital Subsidy grants.

## 5.6 Management Case

5.6.1 This section sets out the governance arrangements which will support the operation and delivery of the green freeport, including corporate structure, role of Accountable Body, investment strategy for NDR, risk management, and monitoring and evaluation. As was presented to Council in October 2023, the OBC set out details on many of the core components. The FBC has updated the sections where necessary and enhanced the detail on the approach to management of the Green Freeport where possible.

5.6.2 ICFGF Board - The ICFGF Board has been set up to oversee the activity of the Green Freeport Company, including the FBC process. The Board is currently made up of nine directors, with the Council represented by the Malcolm MacLeod, Assistant Chief Executive - Place: It is intended that three further directors be identified and appointed in the coming months. One of the appointments will come from the 'Associates' who previously made up the Consortium and there will be open recruitment to identify an independent Director. The current Directors are set out in the Table below:-

1	Jim Smith	Independent Chair
2	Malcolm MacLeod, The Highland Council	Local Authority, rating authority, planning authority and tax site landowner
3	Alex Campbell, Port of Cromarty Firth	Statutory harbour authority, tax site landowner and potential customs site operator
4	Roy MacGregor, Global Energy Group	Tax site landowner and potential customs site operator
5	Sinclair Browne, Port of Inverness	Statutory harbour authority, tax site landowner and proposed customs site operator
6	Roger Sendall, University of the Highlands & Islands	Innovation and academic stakeholder
7	Donald MacRae	Independent nominee of Highlands & Islands Enterprise
8	Lewis Gillies, Port of Ardersier	Tax site landowner and potential customs site operator
9	Calum MacPherson	Chief Executive Officer, ICFGF

### **Accountable Body**

The Highland Council fulfils the role of Accountable Body for ICFGF. The Accountable Body is accountable to Government for the expenditure and management of centrally funded public money – including capacity funding, seed capital investments and net retained NDR.

The Company's governance arrangements ensure that there is a decision-making structure which preserves the Accountable Body's ability to be meaningfully accountable for the spending of public money. Acting as Accountable Body, the role of the Highland Council will be to:-

1. receive funding on behalf of the Company from the Scottish and UK Government;
2. ensure that such funding is used appropriately in accordance with the law, good financial management and any applicable grant conditions;
3. establish and maintain financial systems to account for all public funding received and disbursed on behalf of the Company;
4. ensure that all required information on expenditure, activities and outcomes are properly recorded and reported; and
5. ensure that good governance is embedded in the decision-making of the Company.

The Accountable Body may also provide other services, such as executive support to the Board, to provide assurance on compliance with relevant laws and regulations. In addition to the Board members, the Board meetings are also attended by an observer of the Highland Council in respect of their role as Accountable Body. The Council's Section 95 (s95) Officer supports the operation of the Board in respect of governance and financial responsibilities associated with the allocation and proper use of public funds including the capacity, seed capital and ongoing NDR funding.



In addition to a Highland Council nominated member, and the s95 Officer, the Highland Council are required to form a Highland Council Members Monitoring Group consisting of up to ten Members (elected Councillors) appointed to reflect political balance and including the Chair and Vice Chair of Economy and Infrastructure Committee. This group will meet quarterly. In addition to updates from the s95 Officer, the Chief Executive Officer of ICFGFP Ltd will attend this meeting and report progress towards the Green Freeport's aims.

5.6.3 The Council will have formal involvement in five different levels of governance in the future operation of the Green Freeport. These are:-

1. The formal role of the Section 95 Officer, under the auspices of the Corporate Resources Committee, ensuring that the spend of public money represents Best Value;
2. The role of the Member Monitoring Group and the Economy and Infrastructure Committee;
3. The involvement of Council officers in the Investment Sub Group that will be set up to advance projects for consideration within the Investment Plan (s);
4. The Memorandum of Understanding that is being developed between Government, the Council and the Green Freeport Company, which will effectively act as a dispute resolution mechanism should issues arise; and
5. Council Membership of the ICFGF Board as a Director, along with the Section 95 Officer being present in an observer capacity.

5.6.4 Stakeholder management and communications - The overall approach to stakeholder management and communications has been further refined since the OBC stage. The core objectives have been expanded and the Engagement Plan has been further developed with a clearer breakdown of the approach which will be taken to engage with different groups, including:-

- politicians;
- governments;
- public agencies;
- the local community;
- the consortium itself;
- industry and potential inward investors and supply chain;
- security bodies;
- workforce development partners;
- media; and
- innovation stakeholders

A recent example of how the community engagement is being implemented is the publication of ICFGF's first newsletter – **see Appendix 3**. It is proposed this will be issued every quarter and be distributed via the Council's community organisation database and directly with community councils.

5.6.5 Since the OBC the governments have confirmed their Monitoring and Evolution Framework, and as such as the FBC now sets out how it will support the assessment of:-

- key performance indicators and data sources that allow the two Governments to track progress of individual Green Freeports and the programme as a whole against the policy objectives;
- impact evaluation to assess the extent to which Green Freeport outcomes are genuinely additional and the policy objectives have been achieved; and
- theory-based evaluation to help the Governments understand how and why the policy had the impacts it did (including the role of different levers).

## 6 Next Steps

6.1 Subject to Council and ICFGF Board approval, the FBC will be submitted to UK and Scottish Governments in June 2024. The timescales for approval will be determined after the UK parliamentary elections. Members of ICFGF, including Council officers, have been in regular contact with Scottish and UK Governments throughout the preparation of the FBC and, to help expedite the review/approval process, the proposed submission dates have been shared and government departments primed to review relevant sections.

6.2 The Member Monitoring Group which was set up last year will continue to meet to ensure compliance with the Scottish and UK Governments guidance for Green Freeports. In doing so, the group will monitor and scrutinise programme progress and ensure the tasks associated with being the accountable body are carried out effectively.

6.3 An updated timeline of the key milestones is included in the FBC and provides a useful projection of next steps for the set up and governance of the Green Freeport, delivery of seed capital investment and development of tax sites.

Designation: Chief Executive

Date: 25 May 2024

Author: Allan Maguire, Head of Economic Development & Regeneration  
Douglas Chisholm, Tourism and Inward Investment Team  
Leader  
Scott Dalgarno, Development Plans Manager

Background Papers: [Inverness & Cromarty Firth Green Freeport Report 3 October 2023 Full Council Government FBC Requirements](#)

Appendices: Appendix 1 – ICFGF Full Business Case Executive Summary  
Appendix 2 – Final tax site boundaries  
Appendix 3 – ICFGF Newsletter

## ICFGF Full Business Case – Executive Summary

# EXECUTIVE SUMMARY

### Strategic Case

The UK and Scottish Governments have ambitious net zero, innovation, trade and investment, regeneration and levelling-up objectives which require large scale public intervention. This includes providing the support necessary to remove barriers to the creation of world class manufacturing hubs focused on achieving the net zero transition in a just and sustainable manner.

Inverness & Cromarty Firth Green Freeport (ICFGF) is the best place in the UK for the Governments to intervene to enable a world class floating offshore wind (FLOW) manufacturing agglomeration and to make the most of synergies with green hydrogen, maritime technologies and advanced manufacturing, by unlocking parallel, co-located investment in these sectors. This is because ICFGF is:

- the most advantageous place for these interventions from a UK net growth, productivity, energy security, decarbonisation and terms of trade perspective, and
- the location where investment delivers most from a social outcome, levelling up and regeneration perspective.

While the Highlands can be a fantastic place to live for those with the right opportunities, since the end of the oil boom, the local economy has not been creating enough of the right kind of opportunities and the region's young people have sought employment outside of the region. A Green Freeport here offers a unique mechanism for addressing the challenges that are currently holding the Highlands back and have resulted in years of working age population decline and a downward dependency spiral.

In response to this opportunity, the ICFGF programme has been painstakingly designed to deliver on the collective impact that Green Freeport measures can have for the region. The primary building blocks of this proposition include:

- Three tax sites, designated by legislation in April 2024 following approval of the Outline Business Case, totalling around 520 ha of land and comprised of:
  - 330 ha on the **Cromarty Firth**, where existing legacy facilities and expansion opportunities create the ideal conditions for FLOW manufacturing to deliver additional net national economic growth and jobs in areas of high deprivation, accelerating a just transition to net zero and improving energy security.
  - 150 ha at **Ardersier**, one of the largest unused brownfield sites in the UK, where the port will be restored and re-opened, providing facilities to support FLOW manufacturing with the potential to create thousands of

jobs and reskilling opportunities for the local community, and support the energy transition in Scotland and around the world.

- 40 ha in **Inverness**, designed to address a critical shortage of developable industrial land in the city, allowing its port to expand, a significant hydrogen scheme to come forward and the expansion of our innovation campus for SMEs in life sciences and advanced engineering.
- Deployment of £25m of **seed capital** where it will maximise the wider benefits of the Green Freeport package by de-risking and accelerating investment in critical pre-development works on tax sites.
- A plan for utilising the local retention of incremental net **non-domestic rates (NDR)** growth generated on Green Freeport tax sites, using a process that preserves both the public-private 'dual key' approach and democratic accountability for the expenditure of public funds. Net retained NDR are forecast to be worth almost £550m over the next 25 years and provide a huge opportunity to facilitate further investment in skills, infrastructure, decarbonisation initiatives and innovation.
- Engagement with prospective operators on the potential benefits of **customs site** status. A pipeline of potential sites has been developed, with Global Energy Group the first to use customs site status, at its now authorised site at the Port of Nigg.
- Significant and collaborative efforts to help developers navigate **planning** challenges, including via integration with the Council's Place Based Approach, dedicated up-front advice and work with statutory Key Agencies and other external stakeholders.
- A plan to harness the transformative and once-in-a-generation opportunity for the Highlands to be a global leader in **innovation**, with particular focus on offshore wind, hydrogen, maritime & port innovation and life sciences. This will be achieved by accessing expertise from the existing innovation ecosystem, from new entrants attracted to ICFGF sites, and coordinated by our PowerHouse function, which has been established to grow innovation capacity, co-ordinate innovation support and lead on skills development.
- A **Trade & Inward Investment Strategy**, to attract investment to the ICFGF and wider region. The strategy, which will have dedicated resources, will complement but not duplicate, support mechanisms already available by public sector agencies and departments. It will involve working in partnership with the UK and Scottish Governments, Highlands & Islands Enterprise and the Highland Council.
- A **Ten Point Plan for Skills** to ensure we fully realise the jobs and skills opportunity by addressing gaps in labour supply and mitigating the risks of employers experiencing skills shortages. National Insurance Contributions (NICS) relief will be partially reinvested into a Skills & Innovation Fund, the total size of which is expected to be around £15m over 7-10 years. A Green Freeport **Fair Work** Charter has been developed and all owners of tax site land will be required to adopt it.

- A **Decarbonisation Plan**, setting out how ICFGF can exploit opportunities to address the climate and ecological emergency to significantly accelerate sustainable economic growth whilst increasing local and national resilience. This includes a target to achieve a carbon payback outcome by 2035.

These actions and interventions represent a coordinated, deliverable strategy to realise ICFGF's key objectives: regeneration & high-quality job creation, decarbonisation & a just transition to a net zero economy, hubs for global trade & investment and an innovative environment.

They also support the delivery of two SMART targets that ICFGF has set for itself: the first around delivering the Government's UK 60% content target for at least 1 GW per annum of FLOW capacity (which, at 2022 prices, implies annual GVA of some £2bn p.a., with operations and maintenance activities on top), and the second relating to creating sufficient high quality long-term jobs to halt and then reverse the historic and forecast decline in the Highlands' working age population by the mid-2040s.

Finally, our plan builds on the Highlands' core strengths and address its challenges, both today and in the future, ensuring the benefits of a Green Freeport will be realised across the ICFGF geography and more widely across the Highlands, Scotland and the UK.

## Economic Case

An economic impact assessment has been carried out on three options: Option 1 (No Green Freeport), Option 2 (Green Freeport but no seed capital) and Option 3 (Green Freeport plus £25m seed capital).

The Economic Case demonstrates that Option 3 offers best value for money at an acceptable level of affordability and risk. Under this option, £5.3bn of investment (in present value terms) could be delivered over a 25-year period.

Without a Green Freeport, depopulation would continue, there would be many fewer lower value-added jobs and many of these would be fulfilled by contractors rather than permanent staff. Green Freeport measures, including seed capital, makes growth much more inclusive, delivering many more permanent, higher value-added and higher income jobs.

The potential pipeline of development on tax sites over the next 25 years could result in the creation of 18,300 jobs for the UK, 11,300 of which would be in the Highlands. These figures focus on jobs created through the delivery of the proposed tax sites. With broader initiatives in the area connected with the growth in green energy (including via the reinvestment of net retained NDR), the levels of job creation could go further still.<sup>1</sup>

## Financial Case

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<sup>1</sup> These estimates include all operational jobs on tax sites, construction employment, their indirect supply chain impacts as well as the induced impacts from the spending of wages and salaries in the wider economy.

Tax sites measures 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 £6.5bn could be invested in core propositions on tax sites within the Green Freeport, with over £3.5bn over the next 5 years. The £25m in Green Freeport seed capital funding will be deployed to support this, complemented by over £60m in further public funding and almost £175m in private sector funding, contributing to a total spend of around £260m on these specific projects.

For its part, ICFGF Ltd has developed a robust and cost-effective budget which reflects the activity needed to meet its objectives and the requirements of the UK and Scottish Governments. Prior to tax site designation, short term set-up phase support has been provided in the form of government capacity (RDEL) funding and contributions provided by consortium partners. Moving forward, mature term ongoing revenues will be sourced from levies from landowners via Tax Site Delivery Agreements (TSDAs), topped up where necessary by contributions from incremental net retained NDR.

The capacity (RDEL) funding from Government provides funding to resource the ICFGF team and, alongside the contributions being made by our consortium partners, is critical to help meet Setup Phase costs in the period prior to the receipt of the ongoing landowner levies and the build-up of retained NDR.

These arrangements will ensure that the Government's capacity funding is deployed in a prudent manner to meet genuine Green Freeport Company costs in the critical early years of operation. This will also help the Green Freeport protect its pool of net retained NDR so that it can be utilised for its primary purpose which is to fund programmes and initiatives such as regeneration, local skills, innovation, Net Zero, trade and investment as well as infrastructure upgrades.

## **Commercial Case**

As most of the land within ICFGF tax sites is owned by private parties, a mechanism is required to:

- provide landowners, operators, end-users and investors with incentives and structures to deliver additional net growth and other outcomes in return for the tax benefits on offer, and
- give the UK and Scottish Governments confidence that a robust strategy is in place to ensure that public investment will realise the intended economic and social potential of the Green Freeport offer.

The first step was to design a tax site proposition that will avoid displacing investment from elsewhere by targeting propositions with clear evidence of net additional inward investment.

Going forward, 'Tax Site Delivery Agreements' (TSDAs) are the key mechanism for ensuring delivery of outcomes on tax sites. Through TSDAs, landowners have committed to using reasonable and commercial endeavours to ensure that their land is, as soon as reasonably possible, developed for uses that generate genuine additional economic activity.

TSDAs also include a mechanism for contributions by landowners to the Green Freeport Company to support its sustainable operation and wider supporting

programmes (such as the Skills & Innovation Fund) also addressing potential value leakage. Finally, through TSDAs, landowners have signed up to our Fair Work and Net Zero & Sustainability Charters.

## Management Case

Opportunity Cromarty Firth was established in March 2020 and initially operated as an informal partnership of public and private sector stakeholders working together to develop the proposal for ICFGF. Following the award of Green Freeport status in January 2023, it transitioned into an incorporated entity, responsible for the governance and management of the Green Freeport.

The Company's Board currently consists of representatives from the four key ports, a director nominated by Highland Council, a director nominated by Highland & Islands Enterprise, a director nominated by University of Highlands & Islands, plus an independent Chair and the Chief Executive. Following the submission of the FBC, the Board will grow to include three further directors. One of those three will be proposed by the wider Consortium group, now known as the Associate group.

The Highland Council fulfils the role of Accountable Body for ICFGF, meaning it is accountable to Government for the expenditure and management of centrally funded public money – including capacity (RDEL) funding, seed capital investments and retained NDR.

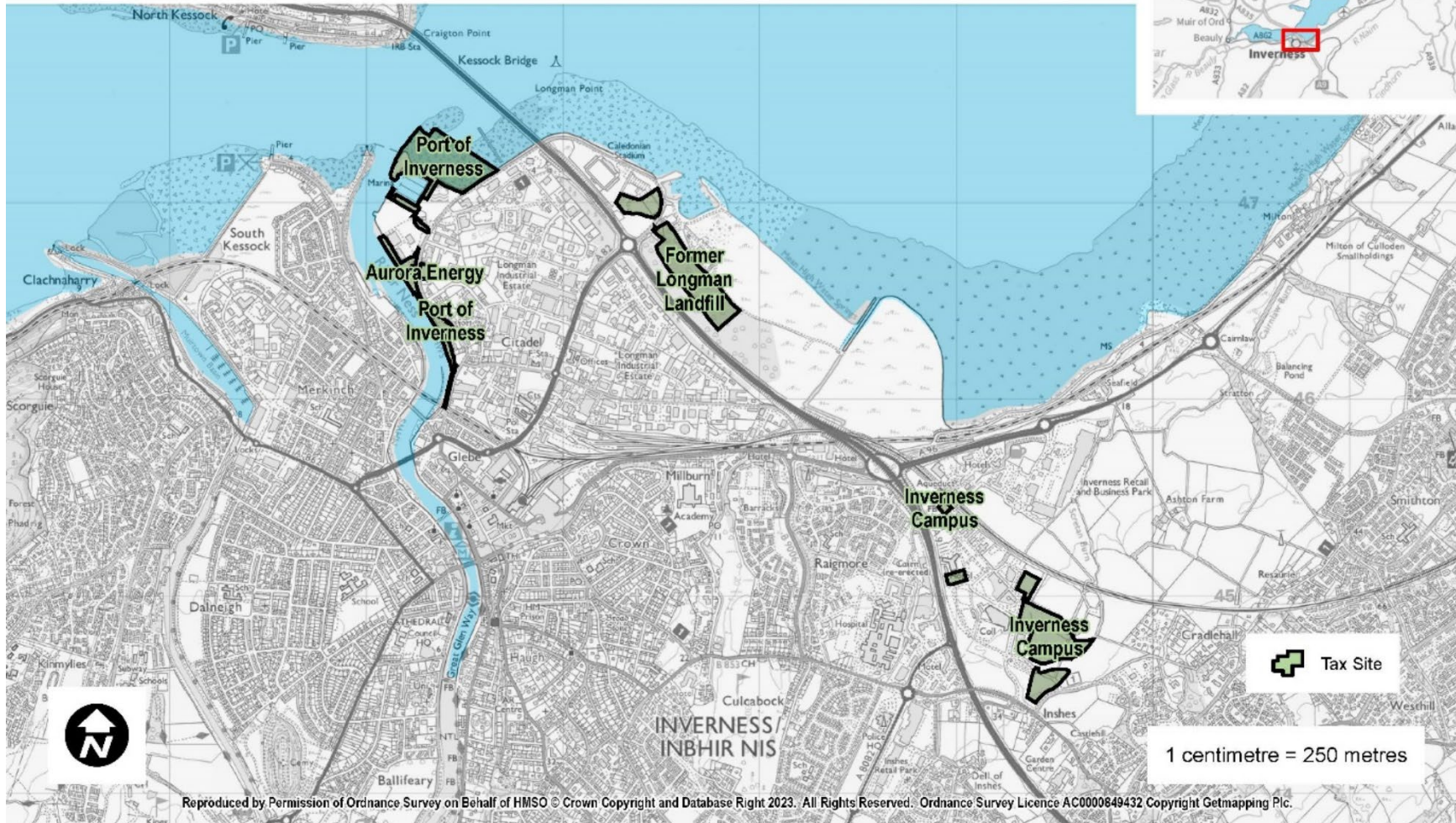
Our Chief Executive Officer is putting together a compact and dedicated team of five full time members of staff, with the potential for a further two roles in subsequent years. Amongst the many activities that this team will be responsible for are:

- stakeholder engagement and communication (including identifying key partners and continuing to develop key messages and branding for ICFGF),
- identifying, assessing, mitigating and managing risk, and
- complying with the UK and Scottish Governments' monitoring, evaluation, reporting and assurance requirements.



# Inverness and Cromarty Firth Green Freeport

## Inverness Tax Site: 36.79 ha



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Final tax site boundaries

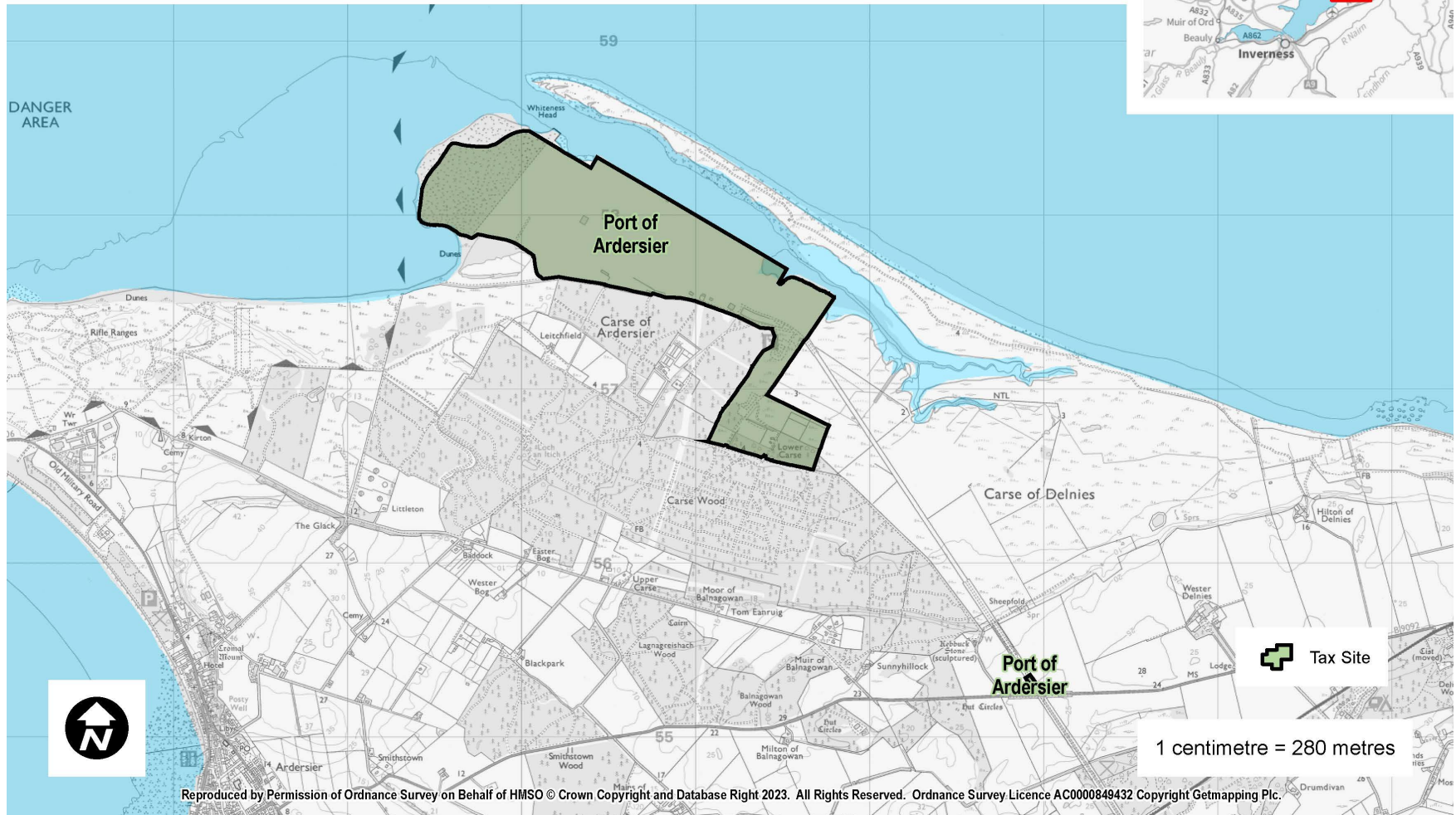
Appendix 2





# Inverness and Cromarty Firth Green Freeport

## Ardersier Tax Site: 153.49 ha

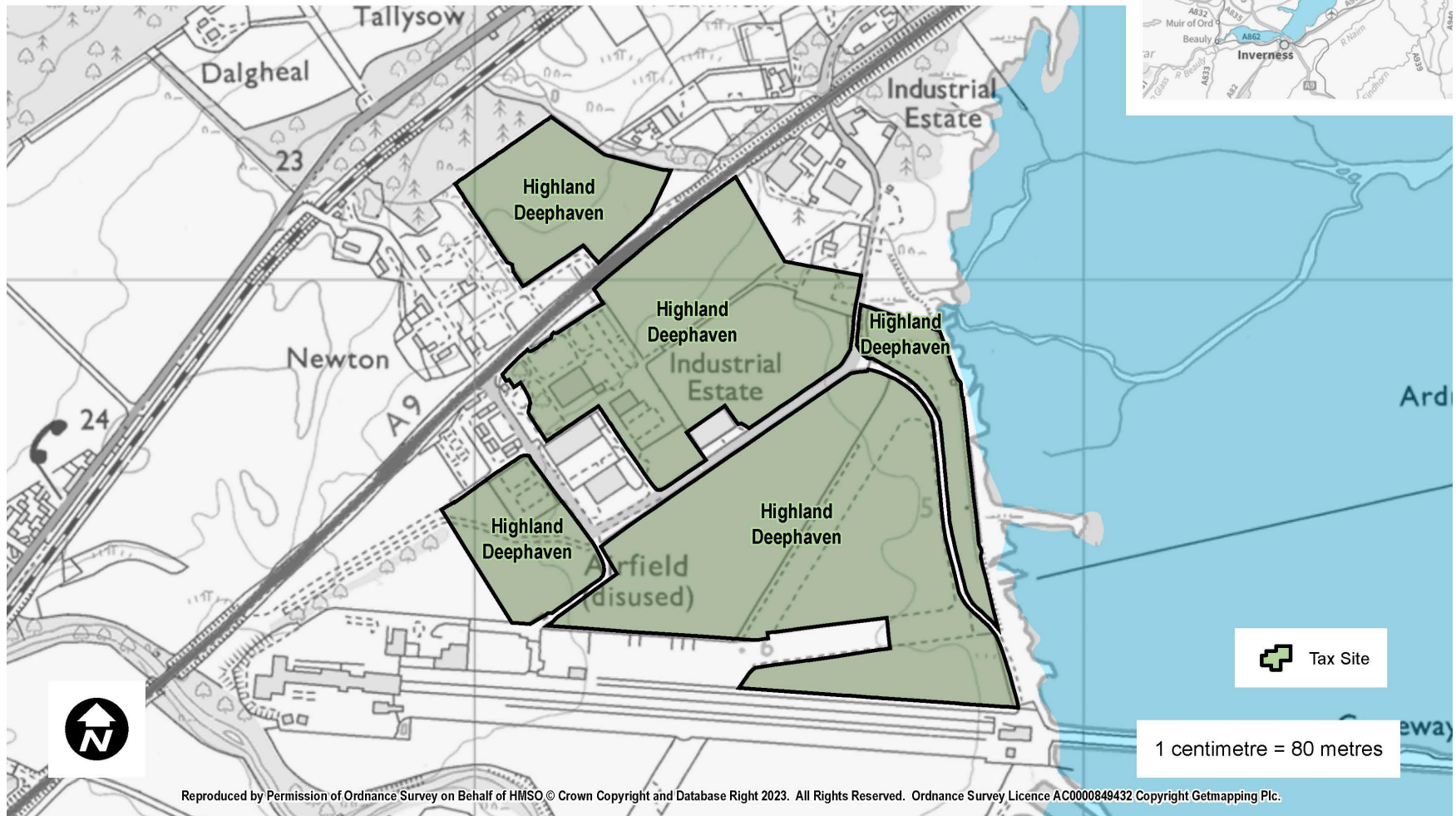


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# Inverness and Cromarty Firth Green Freeport

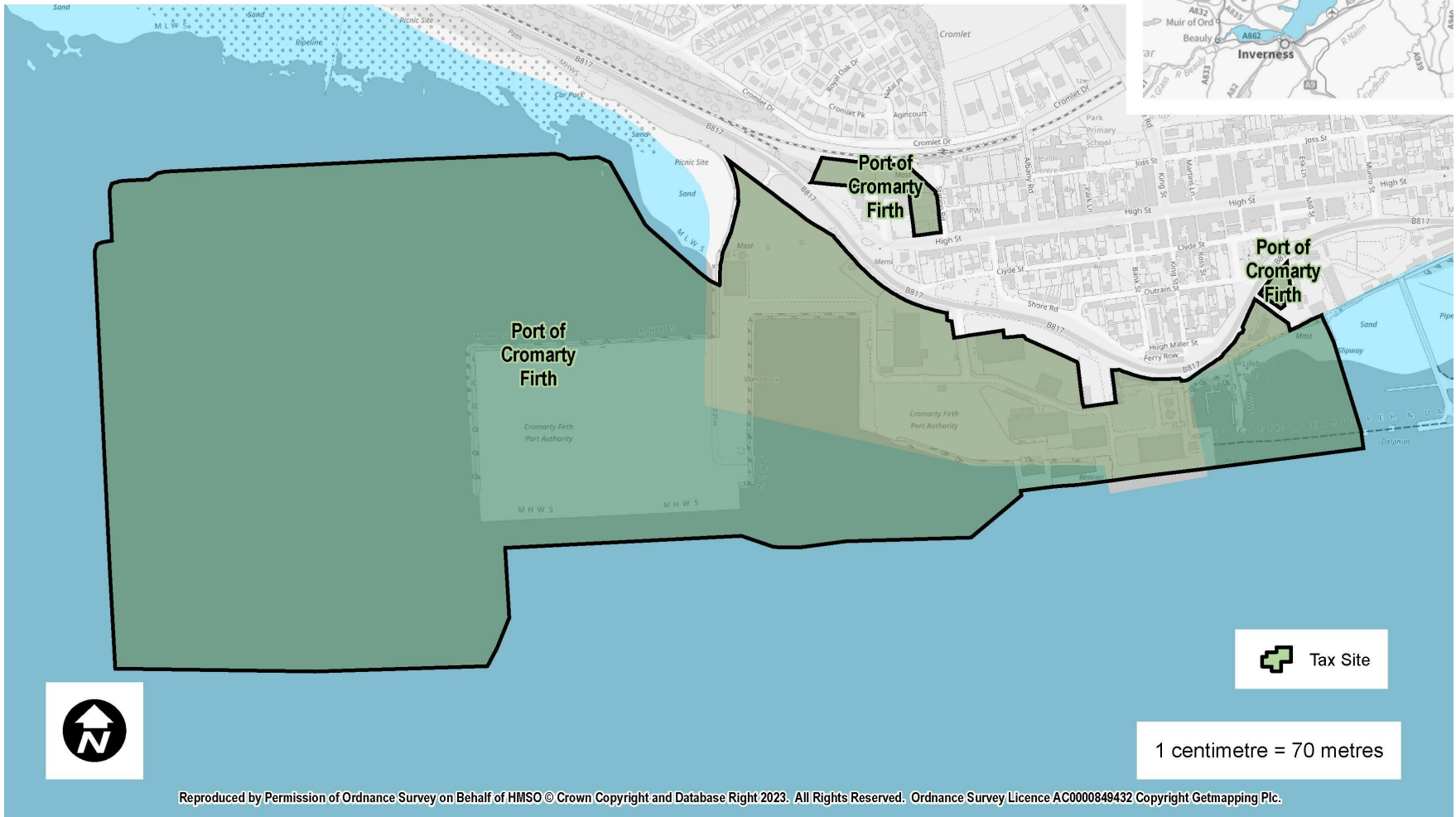
## Cromarty Firth (Deephaven) Tax Site: 50.2 ha





# Inverness and Cromarty Firth Green Freeport

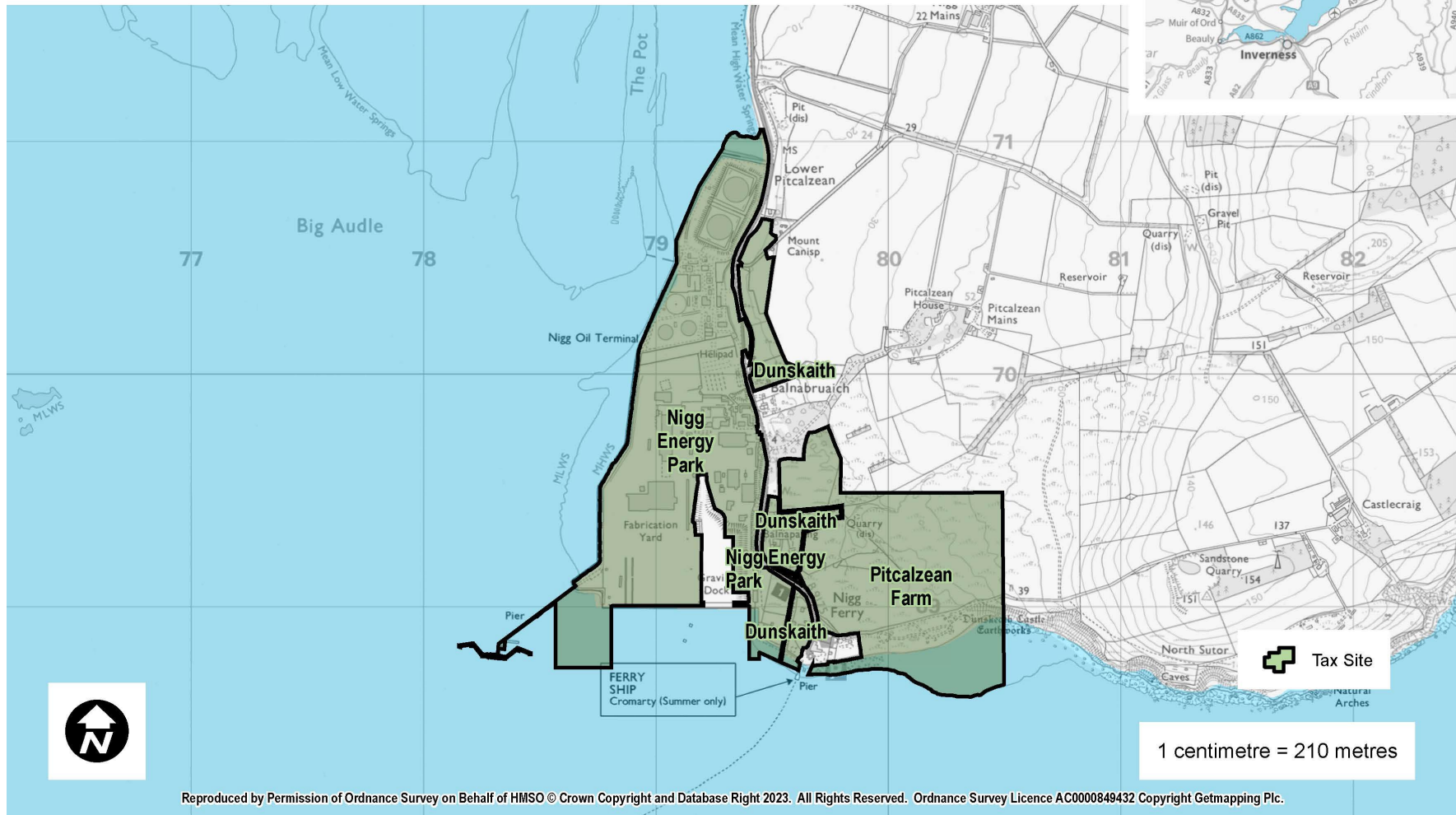
## Port of Cromarty Firth (Invergordon) Tax Site: 82.76 ha





# Inverness and Cromarty Firth Green Freeport

## Cromarty Firth (Nigg) Tax Site: 196.41 ha



## ICFGF Newsletter

Inverness & Cromarty Firth Green Freeport  
Issue 01 – April 2024

# Newsletter



## Welcome to Inverness and Cromarty Firth Green Freeport's (ICFGF) first quarterly community newsletter.

A little over a year ago, Inverness and the Cromarty Firth was announced as the location chosen by the Scottish Government and the UK Government for one of two proposed Scottish Green Freeports.

We are delighted to let you know that at the end of February the Outline Business Case was formally approved by both governments. Last week saw the conclusion of the UK legislative process confirming ICFGF's Special Tax Sites.

These are major milestones in progress towards the Green Freeport's establishment and the culmination of more than four years of work by local organisations, including the ports, businesses large and small, The Highland Council, University of the Highlands and Islands (UHI) and Highlands and Islands Enterprise (HIE).

*This is an initiative which can help bring transformational and lasting benefits as the Highlands become the focal point for the UK's transition to renewable energy and the journey to net zero.*

As a catalyst for attracting new investment and creating fair pay employment opportunities on an unprecedented scale, it offers a huge opportunity to address the challenge of working-age depopulation in our region.

Although ICFGF has only just gained Tax Site status, it is already helping make the area a focus of interest from the



renewable energy industry around the world. It was a key factor in Japanese company Sumitomo's recently announced plans to develop a cable manufacturing facility at Nigg, in Easter Ross.

As we work towards the Green Freeport's establishment, the intention of this and subsequent newsletters is to help fully inform you about what this important initiative means for our communities, as well as to keep you regularly updated on our progress. It will also seek to bust some myths, such as there being less regulatory oversight in the Green Freeport area (the opposite is, in fact, true).

Regular updates and further information about ICFGF are also available on our website.

We will always be happy to try and answer any questions you may have, and you can find our contact details at the foot of this newsletter.

**Calum MacPherson**  
Chief Executive, ICFGF

# What is a Green Freeport?

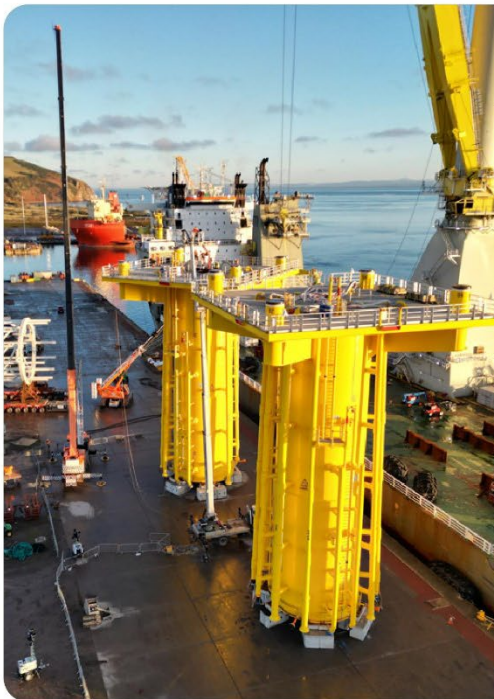
Inverness and Cromarty Firth Green Freeport and Forth Green Freeport have been selected jointly by the Scottish and UK governments as the locations for Scotland's first Green Freeports through an open, transparent and competitive process.

Green Freeports are designed to create well paid jobs and inclusive growth within communities, while supporting Fair Work First practices, boosting innovation, upholding the highest environmental protections and supporting economic transformation. Working in partnership with the UK Government, the Scottish Government has adapted the UK Government's freeport model to develop a sustainable and fair Green Freeport model that fits the Scottish context.

A Green Freeport is a large, zoned area within a defined boundary which includes a rail, sea or airport. Operators and businesses in specific tax sites within the zone can benefit from a package of tax and other incentives through a combination of devolved and reserved levers. Green Freeports are required to contribute to four key policy objectives:

1. **Promoting regeneration and high-quality job creation – our lead policy objective**
2. **Promoting decarbonisation and a just transition to a net zero economy**
3. **Establishing hubs for global trade and investment**
4. **Fostering an innovative environment**

The Scottish and UK governments are working closely with the selected Green Freeports to ensure they deliver maximum positive impact and become operational as soon as possible.



## Timeline

**January 2023** – Inverness and the Cromarty Firth announced as one of Scotland's two proposed Green Freeports

**October 2023** – Outline Business Case submitted to Scottish and UK governments

**February 2024** – formal approval of Outline Business Case confirmed

**March 2024** – Special Tax Sites statutory instrument laid before UK parliament

**March 2024** – Special Tax Site status extended from 5 to 10 years

**April 2024** – ICFGF Special Tax Sites confirmed

**May/June 2024** – Final Business Case to be presented to Highland Council members prior to submission to Scottish and UK governments

## Big opportunities at the ICFGF Powerhouse



ICFGF's workforce and innovation unit is known as "The PowerHouse". This is a small team bringing businesses and academia together in support of the Green Freeport to ensure people are equipped to benefit from the new employment opportunities and employers have the skilled workforces they require.

We are working with our business community to look at how they align their skills with the requirements ahead and identify local providers to help them meet their needs.

As part of this we need to challenge some traditional perceptions and clearly get the message across that there are many routes into successful employment in our area. This is particularly important in ensuring future generations benefit fully from the opportunities that are emerging.

It was fantastic to see more than 600 young people from across the region attending the first Green Careers Expo, which was held in February at Alness Academy, in Easter Ross.

With more than 30 exhibitors, the event, organised by Developing the Young Workforce Inverness and Central Highlands, in conjunction with Skills Development Scotland, brought together a wide range of employers, training providers, educational institutions, and partners to inspire the next generation.



## A ground-breaking initiative for Highlands and all of Scotland

In October 2023, ICFGF submitted its Outline Business Case to the Scottish and UK Governments.. This was formally approved on 29 February 2024

Headline facts and figures from the Outline Business Case:

1. Wide-ranging incentives and multi-generational benefits offered by the initiative will lead to the creation of more than 10,250 new jobs in the Highlands and a further 6,000 across the UK
2. A huge opportunity to address the challenge of working-age depopulation in the Highlands and to accelerate economic growth and innovation, as well as growing and decarbonising the offshore energy industry in the UK
3. Over £3billion of fresh investment will be attracted as Green Freeport status helps realise the area's potential to become the largest European hub for the development of the offshore wind industry and associated renewable energy technologies
4. Tax site locations totalling around 520 hectares, including areas on the shores of the Cromarty Firth, in Inverness and at Ardersier, amounting to the largest green engineering development site in the UK

For more information, maps detailing the sites, at Invergordon, Nigg, Deephaven, Ardersier and Inverness have now been published on the [UK Government's website](#).

# Green Freeport myths and facts

As the Tax Sites have been formalised in statute, we can increase the information we share about activity and how we hope to engage with the community, especially in respect of some of the environmental and biodiversity projects we may undertake.

It is also necessary to address some of the myths being shared, partly due to how freeports are operated elsewhere in the world and historically. The Scottish Green Freeports are fundamentally different and are focussed on supporting the transition to offshore wind energy, rather than trading hubs through which high volumes of goods will flow into the UK.



Myth	Fact
There will be no minimum wage requirement	Fair working practices, including the Real Living Wage, are at the heart of ICFGF with a Fair Work Charter being a core requirement for inclusion in the proposed tax site areas.
Highland Council will not receive much needed business rates	Incorrect. Non-Domestic Rates for existing infrastructure will continue as normal, and the rate relief for new buildings is refunded to Highland Council by the Scottish Gov and retained in the ICFGF area for use and benefit of the area.
Potential for criminal activity	Unfounded. The only custom relief sites we propose at present relate to large-scale heavy engineering, which will be monitored more closely than ever by Border Force. Our ports are not transport hubs through which containers and high volumes of goods pass, and this is not the intention going forward.
Self-regulated	The Green Freeport will be regulated and monitored on a regular basis by The Highland Council, as Accountable Body, plus Scottish and UK governments. It is, in fact, a very heavily regulated and monitored activity.
Less regulation	Any developments in the area will be required to meet the same planning and environmental standards and will continue to go through the existing Highland Council planning processes.

## About us

The Inverness and Cromarty Firth Green Freeport Ltd is a company limited by guarantee and was born out of Opportunity Cromarty Firth, the consortium which led the successful bid to become a Green Freeport.

The ICFGF Green Freeport Company does not aim to generate profits. There is no shareholding, so any surplus generated is retained for future operating costs. The company does not own land, so ownership and control remain with existing landowners.

The Green Freeport has a team of three full-time staff, albeit we hope to make two further appointments later this year.

The Company is backed by port owners Port of Cromarty Firth, Global Energy Group at Port of Nigg, Port of Inverness, and Haventus (Port of Ardersier), Highland Deephaven, The Highland Council, University of the Highlands and Islands (UHI), Highlands and Islands

Enterprise - in total more than 30 regional, national and international businesses, public sector organisations and academic bodies.

The creation of the Green Freeport will maximise local and Scotland-wide benefits from a pipeline of renewable energy projects, placing the Highlands at the heart of the drive towards net zero and developing world leading capabilities in floating offshore wind and hydrogen production.

Strict protections will ensure the highest standards are followed within the Freeport covering planning, the environment and working conditions. A fair work charter has been agreed by all landowners such that the working terms will be more protected within the tax sites than outwith.

For more information visit: [www.greenfreeport.scot](http://www.greenfreeport.scot)  
Contact us at: [info@greenfreeport.scot](mailto:info@greenfreeport.scot)