

Agenda Item	11
Report No	HC/15/23

HIGHLAND COUNCIL

Committee: The Highland Council

Date: 11 May 2023

Report Title: Update on Outline Business Case for Inverness and Cromarty Firth Green Freeport

Report By: Interim Depute Chief Executive

1 Purpose/Executive Summary

- 1.1 Following a report agreed by Full Council in March 2023 on the Inverness and Cromarty Firth Green Freeport, this report provides an update on the current Outline Business Case (OBC) stage of the Green Freeport process and the role of Council officers and elected members. This covers the Council's role as Accountable Body. It also outlines how the potential developments and supporting infrastructure related to the Green Freeport are being identified along with the wider social, environmental and economic benefits that this aims to deliver for Highland communities.
- 1.2 There have been several reports to Council over the last two years highlighting how the Green Freeport in Highland has the potential to deliver against local and national outcomes. This report focuses on the OBC stage and does not revisit the detail covered in previous reports the most recent of which from March 2023 can be read at [The Highland Council Committee 9 March 2023 \(see item 12\)](#).

2 Recommendations

- 2.1 Members are asked to:
- i. **Note** the Council's role and responsibilities in the preparing the OBC, including as Accountable Body, as summarised in Section 4;
 - ii. **Agree** to the proposals set out in relation to governance and particularly the establishment and Terms of Reference for the Member's Monitoring Group as set out in section 5.3; and
 - iii. **Note** the intention to report the Outline Business Case to a future Council meeting prior to submission to UK and Scottish Governments.

3 Implications

- 3.1 **Resource** – Staff resource will be required for the Council’s ongoing participation in OCF, particularly during the ‘set up’ stage of the Green Freeport which is expected to last around 12-24 months. It will require dedicated staff time and input from a range of Council Services, including economy, legal, planning, finance, community support, communications and corporate teams to ensure it remains aligned with Council ambitions. To help resource the Council’s contribution, funding has been allocated through the Economic Prosperity Fund.

Given the ‘accountable body’ role which the Council will play, it is important that the implications are fully considered, and a suitable framework is in place which avoids any detrimental impact on the Council.

The UK Government will make up to £1m of grant funding available to each of the Green Freeports to assist with the ‘set up’ stage. The first tranche of this funding has recently been made available and will be used to fund the consortium’s costs for the preparation of the OBC.

Beyond the ‘set up’ stage, the day-to-day operation of the Green Freeport will require some Council staff resource, with a focus on finance and corporate functions. Other Council services will need to input to certain aspects such as the development of sites, infrastructure delivery and regeneration initiatives.

- 3.2 **Legal** – As identified in the March report 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.

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 will continue to be the subject of detailed development and consideration through the preparation of the Outline Business Case. The arrangements proposed within this report, if agreed, will contribute to the overall governance arrangements.

- 3.3 **Community (Equality, Poverty and Rural)** - As set out in the previous committee report of 9 March 2023, there are a number of significant benefits for communities surrounding the Green Freeport and across the wider Highland region. Ongoing communications and engagement with communities and businesses will be required. An impact assessment, which will include equality and socio-economic considerations, will be undertaken alongside the development of the Business Plan to ensure appropriate considerations and mitigations are part of the developing framework. A Diversity Statement has been prepared as part of the Green Freeports governance documentation

- 3.4 **Climate Change / Carbon Clever** - The Green Freeport will help to address climate change and deliver a number of core policy objectives by adopting high environmental standards and through attracting investment in green industries, creating green jobs and reducing greenhouse gas emissions. In line with emerging guidance from UK and Scottish Governments on Green Freeports the Outline Business Case will need to include a Net Zero Strategy setting out a quantitative assessment of carbon impacts.

- 3.5 **Risk** – There are a series of risks associated with the Green Freeport, such as external factors impeding on the scale and pace of the OCF vision which in turn could impact on the revenue derived from NDR.

There are also financial and legal risks associated with the Council's role with the Green Freeport, primarily it being the accountable body for all public funding streams.

Further mitigation will be identified and incorporated into the governance structure to ensuring that it is in-built to future decision making, regularly assessed and therefore minimises exposure of the Council.

- 3.6 **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 The Outline Business Case (OBC)

- 4.1 The main focus of work for the ICF Consortium at this stage is the preparation of the OBC. The OBC will need to demonstrate how the Inverness and Cromarty Firth Green Freeport will make a significant contribution towards meeting the local and national transition to net zero, create high-quality, long-lasting employment in a green economy, regenerate and strengthen communities across the region and reverse demographic challenges. To this end, there is considerable work underway across 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 The OBC and Full Business Case (FBC) are significant pieces of work for which Government have provisionally made £1m available in financial assistance. To ensure this funding is best utilised and the work burdens are distributed proportionately, the main work packages have been assigned to the most relevant and able partners within the consortium. The main aspects of work that the Council is leading on and/or contributing to are summarised below:

4.3 Seed Funding

The UK and Scottish Government are providing an opportunity for each Green Freeport to apply for up to £25m towards the cost of infrastructure and enabling works to set up the Green Freeport. It is expected that the funding should be used on land assembly, site remediation, small-scale transport infrastructure to connect sites within the Green Freeport. The Council is setting up an online tool for tax site landowners and members of the ICF Consortium to submit candidate projects.

These will then be assessed against the specific criteria attached to the funding from UK and Scottish governments. Council officers will assess the bids alongside other representatives from the ICF Board and to make recommendations to the Board on the best use of seed funding against the set criteria.

4.5 Non-Domestic Rates (NDR)

Local authorities are able to retain the non-domestic rates growth on Green Freeport tax sites above an agreed, pre-designation baseline. This retention will be guaranteed for 25 years and gives a degree of certainty for the investment in regeneration and infrastructure that will support further growth. The Council is currently working with the relevant Government agencies to work through the processes involved in setting this up.

4.6 Public Engagement and Place Based Approach

The vision and plans of OCF have been shaped by a range of stakeholder consultation and engagements to date. It includes a wide range of input from across the private sector, public agencies and community engagement, including the Climate Action Towns work which will feed into the next stages of work. The review of the Inner Moray Firth Local Development Plan, which coincided with the bidding process, allowed for formal consultation on the plans and likely development implications. The wider implications and benefits of the Green Freeport will be the subject of wider discussion and engagement through the 'place-based' work being undertaken in Inverness and the Easter Ross areas that are likely to most directly affected.

4.8 Proactive planning advice

A key outcome for the Green Freeports policy is increased investment within and around Green Freeport geographies. The governments expect Green Freeports to be delivered at pace. This includes an expectation that planning processes will be streamlined whilst also ensuring the usual high standards of development.

4.9 Representatives from the planning service have been involved from an early stage to provide advice on how potential development and infrastructure ultimately delivered as part of the Green Freeport aligns with local and national planning policy – including Scottish Government's recently adopted National Planning Framework 4 - and the Council's Regional Spatial Strategy. In addition, through the review of the Inner Moray Firth Local Development Plan the Council has agreed its position on the land use allocations likely to be required to support the Green Freeport, and the Plan has been submitted for Examination to Scottish Government.

4.10 Alongside, officers are looking to provide up-front planning advice on the issues that the tax site landowners will need to consider for any future developments. This will be based upon the existing pre-application advice service and will allow all relevant officers across the Council and Key Agencies the opportunity to inform the proposals that emerge and ensure that they adhere to the stringent policies and requirements at the local and national level.

4.11 The Council is also discussing the prospect of utilising new planning measures, such as the use of Masterplan Consent Areas, to provide greater planning certainty and enabling streamlined decision-making.

4.12 Land within the Green Freeport tax site in Council Ownership

The Council (on behalf of the Inverness Common Good) are landowners within the Inverness tax site and work is underway across each site to reassess and amend site boundaries to maximise the economic benefit to the area.

4.13 Other important work packages

In addition to the work packages set out above, a number of officers are feeding into other items of work that will form part of the OBC. This includes:-

- Net Zero – Given it is a central and leading policy objective of Green Freeports, it is being led by the UHI but with input from across the Consortium including the close involvement from the Council's Climate Change and Energy Team.
- Skills and Fair Work – Led by HIE but with input from Skills Development Scotland and the Council's Economy and Regeneration team.
- Economic case – One of the main components of the OBC is presenting the economic case. To inform this a more detailed and up to date Economic Impact Assessment is being commissioned. HIE are leading on this workstream.

5 **Resourcing and Governance [Accountable Body roles]**

- 5.1 Officers and representatives from across the ICF working group are also working closely with the other Green Freeport in Scotland (Forth Green Freeport) to coordinate and share expertise wherever possible. In addition, the UK and Scottish Governments are hosting a series of Green Freeport workshops which each focus on a specific topic and led by the relevant government departments e.g., HMRC, Department of Levelling Up, Housing and Communities (DLUHC) and the Non-Domestic Rates division.
- 5.2 To supplement and support the work of officers, it is proposed to set up a Member Monitoring Group with participation and chairing roles to be agreed by Members. The Terms of Reference for the Member Monitoring Group are included in **Appendix 1**.
- 5.3 The draft OBC will be presented to Council for approval before it is submitted to the joint UKG/SG Green Freeport Team later this year.

Designation: Interim Depute Chief Executive

Date: 25 April 2023

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Background Papers: Inverness and Cromarty Firth Green Freeport [Report](#)

Inverness and Cromarty Firth Green Freeport (ICFGF)

ICFGF Members Monitoring Group – Terms of Reference

A ICFGF Members Monitoring Group ('the Group') will be established and made up of ten Members appointed to reflect political balance and including the Chair and Vice Chair of Economy and Infrastructure Committee and Chair and Vice Chair of Audit and Scrutiny Committee.

It is proposed that the Group, with delegated responsibilities from the Council, will ensure compliance with the Scottish and UK Governments guidance for Green Freeports and in doing so will:-

- monitor and scrutinise programme progress; and
- ensure the tasks associated with being the accountable body are carried out effectively.

Other monitoring and scrutinising responsibilities in relation to the programme progress include:-

- ensuring mechanisms are in place to monitor the progress of all ICFGF projects and programmes against agreed milestones;
- ensuring mechanisms are in place to allow for the effective scrutiny of the delivery of benefits and outcomes of projects;
- ensuring mechanisms are in place to enable the effective management of risks and issues;
- authorising mandatory and other reports to Government;
- receiving reports on progress against milestones; performance against budgets; the management of risks/issue and the delivery of benefits and expected outcomes;
- instructing changes to working practices based on performance of the programme as evidenced in reporting above; and
- making recommendations to the recipients of funding and other relevant organisations and groups, regarding ICFGF Strategies and Policy Plans.