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**To: Economy and Regeneration Board**

**On: 14 June 2022**

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**Report by: Chief Executive**

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**Heading: Clyde Green/Freeport bid - update**

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## **1. Summary**

- 1.1 This report aims to bring to members attention the proposed bid by Glasgow City Region (GCR) member authorities in partnership with the private sector for a green/freeport designation.
  - 1.2 The bid is intended to be submitted to UK Government (UKG) in response to a prospectus published in March 2022 seeking bids from Scottish locations. The deadline for bid submissions to UKG is 20 June 2022.
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## **2. Recommendations**

- 2.1 It is recommended that the Board:
    - i. Approve the submission of the GCR bid as it affects Renfrewshire;
    - ii. Approve the proposed designation of the green/freeport tax site as defined within the report;
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## **3. Background**

- 3.1 In June 2021 the Council's Leadership Board received a report on the potential for a GCR bid for Green/Freeport status. Based on the freeport model, the Scottish and UK Governments are using the term "green/freeport" to define the status proposed for Scottish sites. As tax and customs is a reserved matter the process is being led by the UK Government.
- 3.2 Over the last 12 months or so, several of the GCR local authorities – Glasgow, North Lanarkshire, Inverclyde, and Renfrewshire have held officer level discussions on the potential for a GCR green/freeport status bid. These discussions have involved the private sector companies associated with some of the principal infrastructure facilities in GCR.

We know from analysis of the successful English bids how important the physical infrastructure components are to any submission to government for green/freeport status.

- 3.3 The bid will be submitted by Glasgow city-region (after endorsement from the GCR Cabinet) ahead of the deadline set by the UKG of 20 June 2022. The UKG has stated that it intends to designate two parts of Scotland as having this green/freeport status. The GCR Chief Executive's Group agreed in principle to the preparation of a bid by the 8 member authorities in April 2021.
- 3.4 This report does not attempt to summarise the entire bid or to include comprehensive details of its content. This is primarily due to the bidding process being a competitive one and therefore the bid document will be subject to final amendment following the governance decisions of the individual local authorities and the GCR Cabinet. It will be finalised just before it is submitted to UKG by GCR.
- 3.5 This report will set out the relevant content as it affects Renfrewshire: its proposed geography for a "tax site", the potential economic implications and the purpose of seeking the status
- 3.6 This report seeks Board approval to the Renfrewshire elements of the bid only.

#### **4. Green/Freeport status**

- 4.1 Freeports have been in existence for some time and there are an estimated 3,000 such designations worldwide. They tend to be located primarily at seaports and operate as secure custom zones where, although inside the country's border, are subject to bespoke custom and tax arrangements aimed at bringing benefits to the competitiveness of the areas in which they are located and the companies who choose to locate there who import, manufacture, process, and export goods.
- 4.2 Goods that move into and out of any country are normally subject to tariffs (duty) payable to that country. Goods that arrive at designated freeports are normally exempt from such tariffs. Although these locations often offer reductions in regulatory and administration burdens for businesses, they are designed to incentivise private investment in the locality and create jobs and other economic benefits for the adjacent local economies. If the goods are then processed or passed for sale into the UK market, they would be subject to the normal tariffs.
- 4.3 The UK government designated eight freeports in England in 2021. They have stated they propose to designate two green/freeports in Scotland in 2022. The UK Government have emphasised they view this policy tool as an integral element of their levelling up agenda for the UK economy.
- 4.4 The green/freeport prospectus for bidders outline four principal objectives:
  - promote regeneration and high-quality job creation – *this is the lead policy objective*;
  - promote decarbonisation and a just transition to a net zero economy;
  - establish hubs for global trade and investment;
  - foster an innovative environment;

- 4.5 Although these are the broad objectives, it is clear from the UK Government prospectus that this initiative is about stimulating a (net) growth in the number of jobs in the designated area and is being viewed locally (by private sector and Council officers) as a genuine additional prospect to existing GCR investment plans. UKG wish to see bidders offering a clear sectoral focus to their offer and building on existing industrial clusters. They also want to see a clear and ambitious plan for decarbonisation within any bids as well as distinct evidence that the plans will result in additional investment and increased trade from existing companies or new ones moving into the area.
- 4.6 Renfrewshire can contribute to meeting many of these objectives and aims due to their alignment with the existing and established proposals for the Advanced Manufacturing District Scotland (AMIDS) and its proximity to Glasgow Airport as one of the potential hub ports for the GCR bid.
- 4.7 Bidders must include at least one customs site within their proposals and up to 3 tax sites. Any financial incentives for the tax sites will only apply to new development / investment i.e., for sites that are currently undeveloped or where a building is refurbished or redeveloped as part of the plans. They do not apply to existing business properties that will remain unchanged.

#### ***Financial incentives***

- 4.8 Should green/freeport status be achieved by the GCR bid then a range of potential financial incentives can be made available to designated **tax sites**, subject to agreement of details with HMRC, including:
- relief from ***Land and Building Transaction Tax*** for 5 years for qualifying investments;
  - ***Enhanced Structures and Buildings Allowance*** (SBA)
  - ***Enhanced Capital Allowances*** (ECA): for companies investing in qualifying new plant and machinery assets.
  - ***Employer National Insurance Contributions*** (NICS) relief for certain employees working in the tax site up to a maximum level of income.
  - ***Non-Domestic Rates Relief*** of up to 100% relief (for 5 years) on certain properties and property improvements within designated tax sites.
- 4.9 The specifics of any tax relief would be at the discretion of HMRC, and the individual companies concerned who apply for such benefits. The UKG have stated their intention to allow local authorities in which the tax sites are located to retain the business rates growth because of the new investment achieved (above an agreed baseline). The stated preference for this arrangement is to allow local authorities and their partners to use such funds to invest in regeneration and infrastructure that will support further growth in the area.
- 4.10 Any designated **customs site** within a green/freeport designation would be able to apply to have import duties on supplies suspended and elect to pay such duties on either imported goods or finished products (after being processed in the site). Any such arrangement will be subject to strict criteria applied by HMRC and be subject to having an authorised operator in place before such a designation applies.
- 4.11 In the case of Renfrewshire, the intention would be to include Glasgow Airport only as being within any customs site.

The Airport already operate such an arrangement with HMRC and have the necessary authorisation and management in place to satisfy such requirements.

- 4.12 The UKG have also indicated that up to £25m will be made available in funding to each successful green/freeport designation. This funding comes with a requirement to be matched locally by public or private sector partners. Any such decisions on how to spend or match fund such grant would be subject to further Board reports.

## **5. Glasgow City Region's Greenport Bid**

- 5.1 Green/freeport status for Glasgow city-region (GCR) offers a significant opportunity to grow the economy and assist in achieving job creation that will be aimed at several key pillars of the bid – decarbonisation; innovation and becoming a global trade hub.
- 5.2 As the green/freeport is aimed primarily at job creation and regeneration potential the UK Government are looking to identify these designations in areas with below (national) average GDP per head and above (national) average unemployment rates. The GCR is well placed in a Scottish context to meet both criteria and has the highest levels of deprivation of any area in Scotland.
- 5.3 The scale of GCR gives it an opportunity to do this in a way that will maximise economic, social, and environmental benefits to a large proportion of Scotland's population. By utilising its strengths as Scotland's only metropolitan region, GCR aims to use its green/freeport status to become a global leader in the decarbonisation of key economic sectors and build on the momentum of the COP26 event in 2021.
- 5.4 The city-region has a diverse industry base and a leading R&D ecosystem which will allow it to drive this agenda for systemic change across complementary sectors including advance manufacturing (which lies at the heart of the Renfrewshire economic proposition) as well as aerospace, marine and life sciences. This approach and bid have been developed from a rigorous evidence base that shows benefits at a local, national, and global level from GCR being successful in achieving this designation.

### ***Renfrewshire tax site***

- 5.5 The tax sites (of which there can be 3 maximum) can include land of no more than 600 hectares in total and the sites should be no more than 45km apart from each other.
- 5.6 Renfrewshire's element of the response to the Government's prospectus is to promote an "*airport cluster*". This would be focused on land in and around Glasgow Airport that has the potential to host new development that could benefit from the green/freeport status.

This will include the undeveloped land at the Netherton Campus at AMIDS and undeveloped land at Inchinnan, Westway and Hillington business parks. The owners of these sites have all been consulted on, and are supportive of; their inclusion within the bid.

- 5.7 Land (airside) at Glasgow Airport – including that within the agreed AMIDS masterplan, and earmarked for airport related manufacturing, and land known as “Airside North” amounting to some 40 hectares – is included within the bid. In total the Renfrewshire tax site could account for more than 120 hectares of land.
- 5.8 In terms of the AMIDS site at Netherton Farm the benefits of a green/freeport designation can be summarised as:
- Offering a USP (the financial incentives) compared to alternative locations being considered by that company for new investment;
  - The potential alignment between the industries being targeted (advanced manufacturing) and the trade and export ethos of a green/freeport;
  - Being able to benefit through a close allegiance with other parts of the city-region in terms of complementarity of offer for business investors, through the tri-modal arrangement outlined in the bid (seaport, airport, rail freight hub).
- 5.9 It should be noted that tax site status does not mean the landowner or investor must use the package of incentives that come with the designation. That decision would be up to the individual developer or occupier.
- 5.10 By focusing the Renfrewshire tax site on the Airport / AMIDS allows the bid to meet the UKG requirement to demonstrate that the designation will complement existing funding. In the Renfrewshire case this would include UKG funding for the City Deal projects (50%) and for Levelling Up Fund at AMIDS South (£38m).
- 5.11 The approximate boundary of the tax site proposed for Renfrewshire is shown on the plan in Appendix 1 to this report.

## **6. Next Steps**

- 6.1 A report on the proposed bid will be considered by the respective GCR local authorities (including Renfrewshire) before being presented to the GCR Cabinet in June 2022.
- 6.2 Assuming agreement from all levels of governance, the bid for a GCR green/freeport will be submitted to UK Government by the deadline of 20<sup>th</sup> June 2022. The UKG are expected to announce the successful Scottish designations in autumn 2022.

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## **Implications of the Report**

### **1. Financial**

No financial implications from the bidding process other than officer time, which has been drawn from existing resources in the Economy & Development Team, and other departments as required.

Consultants were commissioned by GCR to lead the preparation of the bid. The cost of this was met from existing approved GCR budgets.

Depending on whether the designation is confirmed through a successful bid and how the green/freeport comes to fruition, any financial implications arising, or decisions on future investment decisions within Renfrewshire, will be subject to separate Board reports at the appropriate time.

2. **HR and Organisational Development** – None.

3. **Community Planning**

- Our Renfrewshire is thriving – The green/freeport concept offers an opportunity for increased economic activity and job creation in Renfrewshire.
- Reshaping our place, our economy, and our future – Renfrewshire already has a significant cluster of manufacturing companies and an international freight airport and therefore, the green/freeport concept offers the potential to attract additional manufacturers and their supply chain to the area;

4. **Legal** – None.

5. **Property/Assets** – The Council-owned AMIDS site has been put forward for inclusion in one of the tax sites included in the green/freeport bid for GCR. The implications of this are covered in the report. All other Renfrewshire sites put forward are in private ownership and have the support of the owners concerned.

6. **Information Technology** - None.

7. **Equality & Human Rights**

The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report because for example it is for noting only. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.

8. **Health & Safety** – None.

9. **Procurement** – None.

10. **Risk** – None.

11. **Privacy Impact** – None.

12. **COSLA Policy Position** – None.

13. **Climate Risk** – None.

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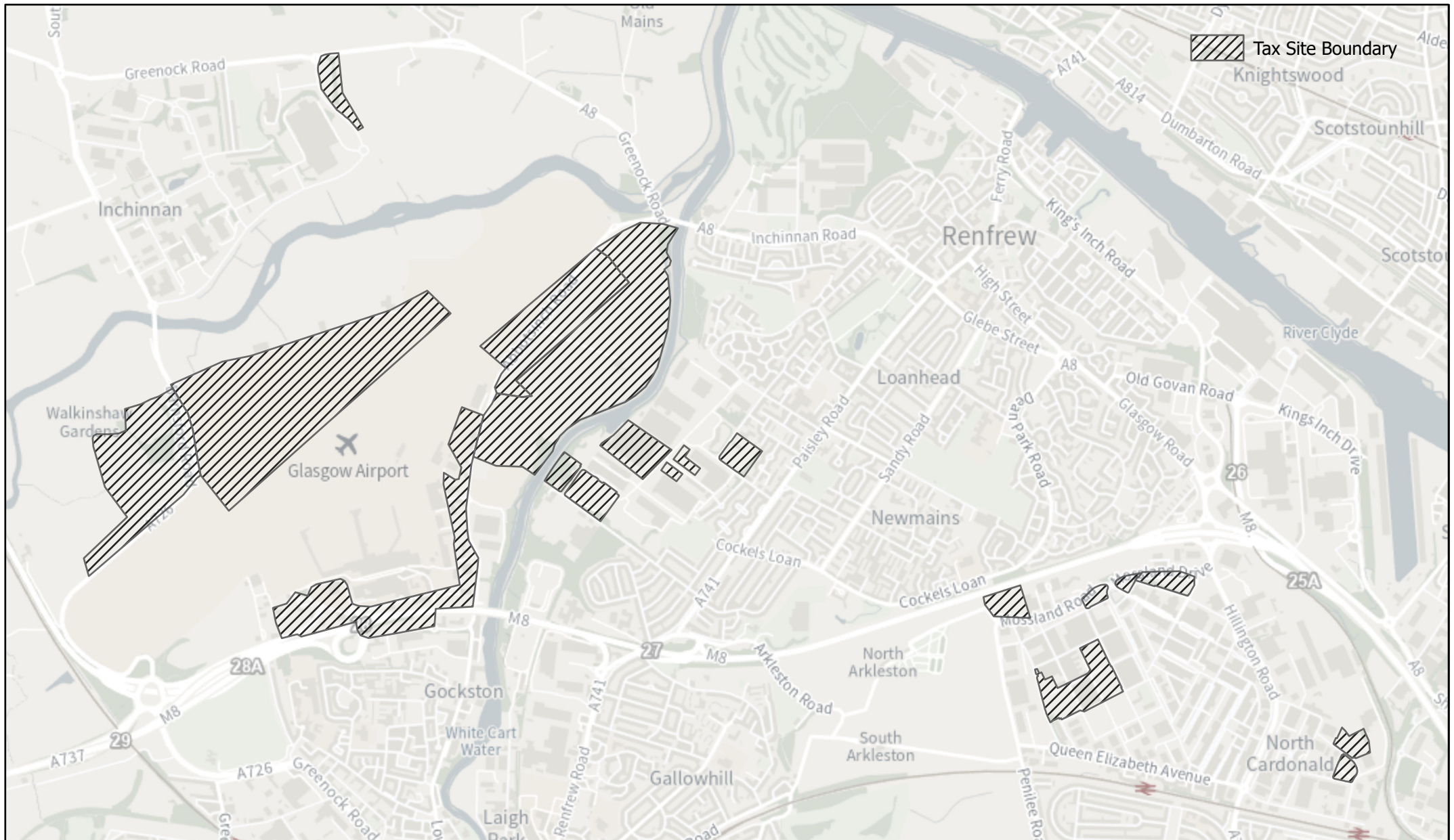
**List of Background Papers**

- (a) *Freeports (Greenports) board report; Leadership Board; June 2021*

- (b) *Green Freeports in Scotland: bidding prospectus; Department for Levelling Up, Housing and Communities; UK Government; March 2022*
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## Green Freeport - Airport Cluster Tax Site

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