
Report To:	Environment & Regeneration Committee	Date:	17 December 2020
Report By:	Corporate Director, Environment, Regeneration and Resources	Report No:	E&R/20/12/01/SJ
Contact Officer:	Stuart Jamieson	Contact No:	01475 712402
Subject:	Freeports Update and Draft Consultation Response		

1.0 PURPOSE

- 1.1 The purpose of this report is to provide Members with an update on Freeports discussions and a draft consultation response to the Scottish Government consultation - Survey on economic development zones, including Freeports.

2.0 SUMMARY

- 2.1 The Policy and Resource Committee considered a report on Freeports at its meeting on 17 November 2020. As well as noting that the process for expressions of interest would be opening shortly in England, and noting that the process for Scottish applications had yet to be agreed between the Scottish and Westminster Governments, authority was granted to the Corporate Director Environment, Regeneration & Resources to reaffirm to the Scottish and UK Governments the desire that the Clyde should be considered as a potential Freeport.
- 2.2 Since the meeting of the Policy and Resources Committee a meeting has taken place between members of the Metropolitan City Region involving Glasgow City Council, Renfrewshire Council, West Dunbartonshire Council and ourselves along with ClydePort Operations Limited and the operators of Glasgow Airport to explore a regional response to the Freeport discussion.
- 2.3 The Scottish Government has commenced a consultation entitled - Survey on economic development zones, including freeports, and draft response to this consultation is contained in Appendix 1.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee:-
- Notes that there is still no agreed route on Freeports;
 - Agrees to the merit of a collaborative response be made on behalf of the City Region to the Freeport discussion;
 - Agrees to the consultation response set out in Appendix 1 be made by Inverclyde Council
 - Notes the authority which was granted to the Corporate Director Environment, Regeneration & Resources to reaffirm to the Scottish and UK Governments the desire that the Clyde should be considered as a potential Freeport by the Policy and Resources Committee.

4.0 BACKGROUND

- 4.1 The UK Government is seeking to establish a network of Freeports in the UK including at least one in each of the devolved nations. The policy will introduce different customs rules in the areas of the Freeports allowing potentially import, processing and re-export of goods without the need for tariffs. The UK Government has also stated that there will be a package of tax reliefs for businesses investing in Freeports together with measures on planning rules in Freeport areas.
- 4.2 In February this year, the UK Government commenced a consultation on Freeports. This concluded on 13 July 2020. Local Authorities were not invited to comment and it is fair to say that most local authorities and many private companies were wholly engaged with managing the implications of the Pandemic during this period. Officers flagged to the Scottish Government that Inverclyde wished to be part of any process associated with selecting a Freeport location in Scotland. The UK Government has now commenced an expression of interest programme.
- 4.3 High level discussions took place prior to the Policy and Resources Committee on 17 November 2020 around the possibility of a Freeport application being made on a joint basis to cover the port facilities and wider areas in Greenock and Glasgow together with Glasgow Airport.
- 4.4 As well as noting that the process for expressions of interest would be opening shortly in England, and noting that the process for Scottish applications had yet to be agreed between the Scottish and Westminster Governments, authority was granted to the Corporate Director Environment, Regeneration & Resources to reaffirm to the Scottish and UK Governments the desire that the Clyde should be considered as a potential Freeport.
- 4.5 Subsequent discussions have now taken place between members of the Metropolitan City Region involving Glasgow City Council, Renfrewshire Council, West Dunbartonshire Council and ourselves along with ClydePort Operations Limited and the operators of Glasgow Airport to explore a regional response to the Freeport discussion. Whilst recognising that there have been difficulties in respect of tax and working practices in previous iterations of Freeports, it is generally supported that there should be a regional response to the Freeport question, at least until the terms of reference are clear on the basis of the importance of the Metropolitan City Region in Scotland's economy.
- 4.6 Glasgow City Region is one of the most economically significant places in Scotland. As demonstrated by the table below:

Indicator	Year	GCR	Scotland	%
Population	2019	1,845,020	5,463,300	33.8%
Enterprises	2020	49,905	177,695	28.1%
Employment	2019	855,000	2,503,000	34.2%
GVA (£m)	2018	42,911	142,121	30.2%

- 4.7 The City Region also has a well established track record of implementing successful place based economic initiatives and continues to do so.
- 4.8 The City Region delivered and benefitted from several iterations of EU Structural Funds Programmes and these were demonstrably amongst some of the most effective of their kind. It is now successfully delivering the UK's largest City Deal.
- 4.9 As such Glasgow City region has shown itself to have the level of strategic and policy alignment across a range of public and private bodies, and the demonstrable organisational capacity to make a success of a place based incentives policy.

- 4.10 The City Region also has the economic potential to maximise the benefits from any such strategy. Glasgow City Region has the widest spread of growth sectors identified in the Scottish Government Inward Investment Strategy and has particular strengths across academia and industry in many of the sectors where future growth is most likely to be secured.
- 4.11 Taken together, these facts mean that Glasgow City Region is the most promising location in Scotland for a place based incentive policy. It is also the most likely to be able to compete effectively with other parts of the UK that might gain comparable incentive status. This will maximise additionality and minimise the potential for displacement from Scotland.
- 4.12 At the same time, the relatively low level of dynamism and growth in the business base, and persistent levels of deprivation create the conditions where the growth benefits of a place based incentive policy can have additional impact on productivity and inclusive growth rather than merely displacing existing activity within its geography.
- 4.13 The City Region also has certain crucial advantages for the delivery of a policy of this type:
- It benefits from two established ports, an international airport and an established rail hub which means that a wide variety of materials and products can be brought into and exported from the City Region quickly and efficiently by the most appropriate method.
 - There is a ready availability of land supply in close proximity to all four of these nodes, which allows for the establishment and rapid expansion of enterprise close to the point of export.
 - These nodes are readily accessible to the rest of Scotland and create the opportunity to maximise the volume of Scottish manufactured goods leaving the country from within Scotland. This shortens the logistics chain, improves resilience and reduces risks for current and future exporters.
 - The land close to these transport hubs is already home to initiatives to support advanced manufacturing and product development which would act as a further incentive for high value added indigenous and international investment in any defined incentive area.
 - The City Region has the largest public transport network in the UK outside of London. This means that growth industries have access to a ready – and skilled – labour force, and the local population has relatively easy and sustainable access to the jobs created.
- 4.14 Concern exists that failure to participate in the process could result in significant displacement from within the City Region either to other parts of Scotland, or indeed to northern England.
- 4.15 Recent feedback from Scottish Government Officials suggests that the oversight of any Freeport in Scotland could be undertaken by both the Scottish and UK Governments.

5.0 PROPOSALS

- 5.1 It is proposed to submit the consultation response, maintain dialogue with City Region Member Authorities and maintain dialogue with Scottish Government Officials in the Freeport discussion.

6.0 IMPLICATIONS

6.1 Finance

There are no financial implications associated with this report.

Financial Implications:

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
none					

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
N/A					

6.2 Legal

There are no legal issues associated with this report.

6.3 Human Resources

There are no personnel implications associated with this report.

6.4 Equalities

Equalities

(a) Has an Equality Impact Assessment been carried out?

	YES
X	NO – This report does not introduce a new policy, function or strategy or recommend a substantive change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required

(b) Fairer Scotland Duty

If this report affects or proposes any major strategic decision:-

Has there been active consideration of how this report's recommendations reduce inequalities of outcome?

	YES – A written statement showing how this report's recommendations reduce inequalities of outcome caused by socio-economic disadvantage has been completed.
X	NO

(c) Data Protection

Has a Data Protection Impact Assessment been carried out?

	YES – This report involves data processing which may result in a high risk to the rights and freedoms of individuals.
--	---

X	NO
---	----

6.5 Repopulation

The creation of more successful and prosperous businesses and communities within Inverclyde would make it a more attractive place to live, invest and do business.

7.0 CONSULTATIONS

7.1 No consultation has been undertaken in the preparation of this report.

8.0 BACKGROUND PAPERS

8.1 None

APPENDIX 1

1. Has your organisation/sector/locality benefited from any of the following incentives? If so, please detail the type and context of the relief (e.g. business located within an Enterprise Area or authorised by HMRC for customs relief) and evidence of the impact this lever has had on your organisation/sector/locality:

Enhanced Capital Allowances

Enhanced Structures and Buildings Allowance (SBA)

Employer National Insurance relief

Streamlined planning permission processes, e.g. permitted development rights, or the practical co-ordination and support offered to applicants in Enterprise Areas

Customs relief, including:

duty and VAT deferral on imported materials and components

duty exemption on goods that are imported, processed into finished goods and subsequently re-exported (inward processing)

duty inversion, where finished goods exiting a secure customs site attract a lower tariff than their component parts

customs warehousing duty relief for goods in storage

The Council has participated in Enterprise area schemes and simplified planning processes which have resulted in historical inward investment but feels that the success of these schemes have been based in the financial incentives available.

2. Has your business/sector/locality benefited from any of the following incentives based in wider geographical areas? If so, please detail the type and context of the relief, and evidence of the impact this lever has had on your organisation/sector/locality:

- **Funding support for infrastructure / regeneration** (e.g. land assembly, site remediation, small-scale transport infrastructure/connectivity), regeneration or innovation purposes, e.g. seed capital funding (matched or part-matched by private sector investment, council borrowing or co-funding from other public bodies)
- **Regional Selective Assistance** grants
- **Funding for innovation**, e.g. through UKRI or other government sources.
- **Other relevant government funding**, e.g. Scottish Government funding (see examples in box below), or the UK Government's Green Energy Fund, Port Infrastructure Fund and Getting Building Fund.

Industrial **clusters** and collaboration **hubs**, such as the network of Clusters coordinated by Scottish Enterprise, or the innovation hubs proposed in the UK Government's freeport proposals.

The Council has supported a number of local businesses in gaining access to a number of these schemes. It has been and remains involved in the Glasgow City Region programmes. The City Region also has a well established track record of implementing successful place based economic initiatives and continues to do so.

The City Region delivered and benefitted from several iterations of EU Structural Funds Programmes and these were demonstrably amongst some of the most effective of their kind. It is now successfully delivering the UK's largest City Deal.

As such Glasgow City region has shown itself to have the level of strategic and policy alignment across a range of public and private bodies, and the demonstrable organisational capacity to make a success of a place based incentives policy.

The City Region also has the economic potential to maximise the benefits from any such strategy. Glasgow City Region has the widest spread of growth sectors identified in the Scottish Government Inward Investment Strategy and has particular strengths across

APPENDIX 1

academia and industry in many of the sectors where future growth is most likely to be secured.

3. The Scottish Government is considering whether to extend, expand or enhance any existing economic development zones (such as the network of Enterprise Areas, Regional Growth Deals, etc) or potentially create new such zones – including around the Freeport model. Additional tools (reserved or devolved), such as the following, could potentially build on these initiatives:

-
- Non-residential **Land and Buildings Transaction Tax** relief
- Facilitation of **regulatory innovation**, e.g. through the Regulation Engagement Network proposed in the UK Government's freeport proposals, to facilitate direct engagement between freeports and relevant regulators. This aims to help innovative firms navigate regulation as they develop, test and apply new ideas and technologies in some sectors, minimising bureaucracy and uncertainty, and identify opportunities for regulatory flexibility and 'sandboxes'.
- **Masterplan Consent Areas** may also be an option when the new provisions of the Planning (Scotland) Act 2019 are enacted.

Which of the above tools do you think is the most effective and best value in creating employment, fair work, and advancing innovation and productivity? Please provide evidence of the impact these incentives could have on you.

The Council has three projects within the Glasgow City Deal. This collaborative approach works well. The City Region has the critical mass of industry sectors, skills, and labour to ensure that the benefits of such a policy will be captured and maximised.

Taken together, these facts mean that Glasgow City Region is the most promising location in Scotland for a place based incentive policy. It is also the most likely to be able to compete effectively with other parts of the UK that might gain comparable incentive status. This will maximise additionality and minimise the potential for displacement from Scotland.

4. Which incentives or categories of incentives included in questions 1 to 3, or others not listed here, would have the most significant impact on your organisation / sector / locality? Please provide details of the impact and be as specific as you can in terms of value / jobs etc.

Collaborative working at a City Region level with financial incentives.

5. How would we best ensure that the Scottish Government's economic agenda of fair work, high productivity and innovation, and making a just transition to a net zero, wellbeing economy is supported by these economic incentives and support?

By ensuring that the Scottish Government take a positive lead in the design of the intervention.

6. What investment timescales and/or other milestones important for your organisation, sector or locality should the Scottish Government be aware of when considering potential new or enhanced, spatially-designated enterprise models in Scotland?

APPENDIX 1

The Scottish Government should take account of the activity in England and the other devolved nations to ensure that Scotland is not disadvantaged.

7. What are the main lessons to be learned from Enterprise Areas and other spatially-designated enterprise models, including freeports, that might apply to the future operation of similar initiatives in Scotland? How do you think the 'offer' could be improved in Scotland? What new features would you suggest, and why?

Ensuring that there are no loopholes that can be exploited.

8. The UK Government's model of freeports involves a number of the above incentives. What impact could a model like this in Scotland have on sustainable, inclusive economic growth - in particular, on job creation, fair work and our transition towards a net zero economy?

This initiative could have a positive impact on the items listed but this will be dependent on the detail of any scheme

9. What would be the impact on your organisation/sector/region if a competitor location were designated as a freeport / if a competitor business established a premises within a freeport (e.g. with tax reliefs and other incentives) within 100 miles of your operation? Or elsewhere in the UK/Scotland?

The opportunity for displacement either within Scotland or worse outwith Scotland could be significant.

10. Has your organisation/sector/region been or interacted with freeports that existed in the UK until 2012? What lessons could be learned to apply to potential new freeports in Scotland?

None