**Item 8**
**27th May 2025**

**Glasgow City Region Cabinet**

**Report by: Director for Regional Economic Growth**

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## GCR Investment Zone Update

**Purpose of Report:**

This report provides the Glasgow City Region Cabinet with an update on the ongoing development of the Glasgow City Region Investment Zone (GCR IZ) programme.

**Recommendation:**

The Glasgow City Region Cabinet is asked to:

- Note the content of the report; and,
- Note the GCR PMO will work with Member Authorities to identify potential NDRR sites including quantifying the revenue generating potential
- Note the Scottish Government guidance that pooling of retained non-domestic rates from Investment Zone sites to Regional Economic Partnership level is considered by the governments to be the approach most likely to enable the policy objectives to be realised

## 1 Purpose of the Report

1.1 This report provides the Glasgow City Region Cabinet with an update on the ongoing development of the Glasgow City Region Investment Zone (GCR IZ) programme.

## 2 Background

2.1 As the Cabinet will be aware, the GCR IZ is progressing through the Government five stage Gateway process for approval of the Investment Zone. This process was instigated following announcement in the summer of 2023 that Glasgow City Region (GCR) would be the location of one of the two Investment Zones (IZ) in Scotland and one of 12 across the UK. The other Scottish IZ is located in the North-East Scotland (NES) region.

## 3 Progress to Date

3.1 Gateway 1, Vision and Objectives for the GCR IZ and Gateway 2, Sector and Geography have both been approved by GCR Cabinet and by UK and Scottish Government. A joint public announcement on the Sector and Georgraphy is awaited by UK and Scottish governments, this is expected in May 2025.

3.2 A draft of Gateway 3 has received feedback from UK and Scottish governments and a further draft is due to be submitted, incorporating this feedback.

3.3 Following the approval of the GCR IZ Short-List by the GCR Cabinet (25 February 2025) the GCR PMO hosted a workshop with the short-listed bidders, together with UK and Scottish governments. This workshop outlined the expected next steps and timescales for the conclusion of the Gateway process.

## 4 Gateway 4 Development

4.1 The GCR PMO have committed to submitting a draft of Gateway 4 to UK and Scottish Government by Monday 30 June.

4.2 The Gateway 4 requirements from Government include the full budget breakdown, across the GVR IZ programme, over the 10 years of funding. The GCR IZ 'open-call' process captured a significant amount of this detail at a project level, this will now be refined and collated at a programme level.

4.3 Short-listed bidders have been asked to profile the requested GCR IZ grant as they envisage it will be required to support their project proposal, to deliver the outputs and outcomes. It should be noted that UK Government have indicated the GCR IZ £160m grant will be 'passed down' at a flat £16m per annum. Following submission of the GCR IZ Gateway 4 draft, 30 June 2025, GCR will enter detailed discussion with UK and Scottish governments on how the programme budget can be delivered to best support the individual project proposals.

4.4 In addition, Gateway 4 also requires to details of the expected economic impact of the GCR IZ programme to be finalised. The GCR Intelligence Hub is supporting each of the short-listed bidders in the collation of this information. This will not only assist the short-listed bidders in the accuracy of the outputs and outcomes, but also ensure this is consistent across each of the projects and the programme as a whole.

4.5 On submission of Gateway 4 to UK and Scottish governments, the GCR PMO will work with the short-listed bidders to commence the three stage Business Case process for each project.

4.6 The GCR PMO has engaged with representatives from the National Wealth Fund (NWF) to support the development and delivery of the GCR IZ. Initial discussions have focused on two main elements; the design of the proposed Investment Fund and the opportunity for the NWF to support the programme budget requirements as noted in section 4.3.

4.7 Following the agreement of GCR Chief Executives' Group (December 2024), Renfrewshire Council have procured the services of KPMG to provide specialist advice and guidance on the development of the proposed GCR IZ Tax Site located across Glasgow Airport and the Advanced Manufacturing Innovation District Scotland (AMIDS). This commission covers both the information required for the designated Tax Site and opportunities around Non-Domestic Rates Retention (NDRR).

## 5 Non-Domestic Rates Retention (NDRR)

5.1 While c. £30m of the GCR IZ grant has been nominally attributed to the proposed Tax Site at Glasgow Airport and AMIDS within the over £160m allocation, GCR has the option to retain the uplift in Non-Domestic Rates across up to three sites and 600 hectares within GCR. The revenue generated from the retention of NDR is over and above the £160m grant allocation from UKG and is a devolved responsibility of the Scottish Government. The retention of rates is on the basis of any uplift in NDR from an agreed baseline with Scottish Government.

5.2 GCR have already proposed one Non-Domestic Rates Retention (NDRR) site, contiguous with the identified Tax-Site at the Airport and AMIDS. Following an initial meeting with KPMG and utilising their experience and knowledge of a number of the English IZs, there is the opportunity to maximise the revenue to GCR by exploring the option of two other NDRR locations within the region. The indication from Greater Manchester is their NDRR scheme could generate significantly more revenue over the 25-year period that the original £160m grant funding from UKG for the IZ.

5.3 An excerpt from the IZ Technical Guidance on NDRR is included in Appendix 1. The Appendix also includes additional guidance from Scottish Government, given Non-Domestic Rates is a devolved issue and the emphasis on the 'but for' test they will utilise.

5.4 Given the potential scale of revenue generation from three NDRR sites, it is proposed the GCR PMO engage with Member Authorities to consider suitable locations that meet the NDRR criteria; by being under-developed, have the potential for growth and where a direct link back to the objectives of the Investment Zone can be made. This process would also look to quantify the potential scale of revenue generation over the period of retention.

5.5 As noted in the SG guidance there is the requirement to directly link an NDRR site with the IZ programme, for example through, direct investment into the site or wider infrastructure investment to support the unlocking of the site. Due to the potential revenues that could be gained from NDRR, it is therefore proposed that options be developed where a percentage of the ring-fenced Investment Fund could be used for activities such as; site investigation, master-planning, land assembly and opportunity mapping, to ‘unlock’ site potential and demonstrate the additionality of the IZ intervention – thus creating the demonstrable link back to the IZ programme.

5.6 As noted in the Scottish Government additional guidance, any NDR retained should be pooled at the GCR level and their re-investment back into the GCR IZ, supporting the objectives of the IZ Programme, should be determined by GCR Cabinet.

5.7 Any proposed GCR IZ NDRR sites will need to be agreed by GCR Cabinet, prior to inclusion within the GCR IZ Gateway 4 submission to UK and Scottish governments, by 30 June 2025.

## 6 Next Steps

6.1 The GCR PMO will continue to work with the short-listed bidders to refine their Gateway 4 project budgets and the GCR Intelligence Hub will support the development of individual and programme economic cases.

6.2 Through engagement with individual MAs the GCR PMO will identify potential NDRR sites that meet the required criteria and bring an updated report to the June meeting of the GCR CEG, with site specific detail and an indication of the quantum of the potential retained rates.

## 7 Recommendation

7.1 The Glasgow City Region Cabinet is asked to:

- Note the content of the report; and,
- Note the GCR PMO will work with Member Authorities to identify potential NDRR sites including quantifying the revenue generating potential
- Note the Scottish Government guidance that pooling of retained non-domestic rates from Investment Zone sites to Regional Economic Partnership level is considered by the governments to be the approach most likely to enable the policy objectives to be realised

Appendix 1 – Non-Domestic Rates Retention Guidance:

**IZ Technical Guidance**

- *Can encompass up to three individual sites, ideally of no more than 200 hectares each. We will consider submissions that make an economic case for an individual site that falls outside the 200 hectares guideline, but the total area of the individual sites within the Investment Zone must not exceed 600 hectares. Those that do put forward proposals that exceed 600 hectares will be automatically dismissed*
- *The accountable body will need to clearly state how many local authority areas are included within each proposed site. They will also need to demonstrate that all local authorities have consented to administrative arrangements and agreed to put in place appropriate MOUs to ensure all additional retained non-domestic rates are reinvested in the Investment Zone objectives.*

***NDRR sites should be "underdeveloped" so that the NDRR measures support areas with economic potential, rather than already economically successful sites***

- *under-utilised: NDRR sites should have sufficient viable but unoccupied physical space that is yet to be developed, is currently being developed or being used, to allow new or expanding businesses to construct, renovate, purchase or lease new premises in the NDRR site*
- *potential investment growth: the REP should explain how Investment Zone status and the NDRR site location will lead to additional investment by new and/or existing businesses in the NDRR site(s) above current levels. The NDRR site should relate to the priority sector either through the type of development coming forward, the location of the site, or the reinvestment strategy for retained rates. Where relevant this should include how the objectives of a place's wider Investment Zone proposal such as agglomeration and additionality benefits, proposed new or accelerated development that avoids displacement, or infrastructure to support the diffusion of wider benefits from the cluster - are supported via additional retained rates*
- *interaction with tax sites: where both interventions are proposed, tax site(s) and NDRR site(s) should be coterminous. If a REP is not proposing tax site(s), then Governments will jointly consider NDRR site(s) with a mixture of developed and undeveloped land, subject to a clear rationale, supporting development in the site and/or wider Investment Zone, directly driving the Investment Zone's objectives. This is intended to reflect the urban reality of derelict brownfield sites which could be developed sitting next to existing businesses or research institutions in regions*
- *only new non-domestic rates growth over an agreed baseline will be retained in full, subject to a displacement factor to be agreed with REPs. Non-domestic rates will continue to be collected by relevant local authorities. The baseline will represent the properties on the valuation roll in the retention site as at the day prior to designation, with rateable values as at the same day. Scottish Government will issue a form to be filled in by the council in order to calculate the baselines for each retention site. Scottish Government will retain the right to query the inclusion of any property or growth* to ensure only non-domestic rates associated 'but for' growth is retained.

Scottish Government additional NDRR Guidance

- *Retention of non-domestic rates is a direct consequence of Investment Zone status and therefore the governments expect all non-domestic rates retained on Investment Zone tax sites to be used **solely** for purposes associated with the Investment Zone.*
- *To demonstrate local agreement around the use of retained rates, the REP accountable for the Investment Zone must enter a Memorandum of Understanding with the relevant local authorities detailing how the retained NDR income (above the baseline and subject*

*to the displacement factor) will be invested back into the programme to remain in line with the overall Investment Zone objectives, and the decision-making process associated with this.*

- *Retained non-domestic rates should be used to promote the Investment Zone's objectives 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.*
- *Income from retained non-domestic rates growth should primarily be used to fund:*
  - *Investment Zone operating costs*
  - *physical and/or digital infrastructure that will facilitate investment in the Investment Zone area*
  - *land assembly and/or site remediation works that will facilitate investment in the Investment Zone area.*
  - *skills and workforce development*
  - *innovation initiatives*
  - *mitigating any displacement and/or negative externalities associated with the Investment Zone*
  - *activity in support of the Investment Zone Net Zero ambitions*
  - *the delivery of Investment Zone -specific planning measures*
- ***The pooling of retained non-domestic rates from Investment Zone sites to Regional Economic Partnership level is considered, by the governments, to be the approach most likely to enable the policy objectives to be realised.** Pooling of retained non-domestic rates across local authorities can enable expenditure to be made where it is most impactful, which may not be in the local authority or authorities in which the revenue has been raised. Where alternative arrangements are proposed, these should be fully justified in terms of the policy objectives.*
- *In order for new properties to contribute to additional IZ income (e.g. to be eligible for NDR retention), they must meet a 'but-for' test in a similar manner to the way Tax Incremental Financing operates. Local authorities must be capable of showing on request that:*
- *Without the IZ, the necessary infrastructure investment would not take place; and*
- *The project meets one or more of the stated objectives set out above.*