Item 11

19th August 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,
- Agree the three proposed locations for the retention of Non-Domestic Rates, subject to the local agreement of Renfrewshire Council, Glasgow City Council, North Lanarkshire Council and South Lanarkshire Council

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 Gateway 4 Development

3.1 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. The GCR PMO has submitted a draft of Gateway 4 to UK and Scottish governments Friday 4 July.

3.2 The Gateway 4 requirements include the full budget breakdown, across the GCR IZ programme, over the 10 years of funding. Short-listed bidders have been asked to profile the requested GCR IZ grant, together with their match-funding, as it will be required to support their project proposal, to deliver the expected outputs and outcomes.

3.3 The short-listed bidders produced two drafts of their project budgets in advance of the Gateway 4 submission. The first draft was to enable the PMO to better understand the profile of individual project budgets, submitted in a consistent format, including the Capital / Revenue split. The second iteration of project budgets has been to reduce the overall programme budget from the £200m short-list budget agreed by GCR Cabinet, to the required £160m grant available.

3.4 As part of this process, the value of the proposed 'tax-site' has been reduced by £5m to £25m. Both Renfrewshire Council and GCR have engaged with UK and Scottish government to understand methodology for calculating the level of grant available for the tax site. There are two distinct concerns in relation to the proposed tax site budget:

- the calculation of grant available for the tax site and the impact of this on the overall budget; and,
- ensuring no financial risk to Renfrewshire Council and/or GCR if the tax benefit is higher than that calculated – particularly in relation to the two devolved taxes.

Renfrewshire Council has noted this second point as a material risk to their participation in the GCR IZ tax site proposal.

3.5 Scottish Government has confirmed:
Local authorities have the ability to design their own local reliefs schemes including to end a relief award. IZ relief will be awarded as a local relief, providing flexibility for councils to design their IZ relief scheme cognisant of the parameters of eligibility and funding set out by the Scottish government. REPs may wish to work with governments to amend their proposals accordingly.

3.6 Table 1 provides details the revised GCR IZ Programme Budget:

Project	Short-Listed Budget	Cap / Rev Split	Revised Budget	Cap / Rev Split	Reduction £	Reduction %
Malin	£20,000,000	65/35	£20,000,000	73/27	0	0
Neuranics	£5,200,000	21/79	£5,200,000	40/60	0	0
NCASP	£35,300,000	60/40	£29,778,455	60/40	£5,521,545	16%
Laser	£25,500,000	27/73	£22,971,672	61/39	£2,528,328	10%
Prism	£33,200,000	50/50	£28,200,000	60/40	£5,000,000	15%
Skyrora	£3,700,000	89/11	£3,700,000	89/11	0	0%
Tax Site	£30,000,000	20/80	£25,000,000	56/44	£5,000,000	17%
Business Support & Skills	£10,000,000	0/100	£10,000,000	0/100	0	0
Investment Fund	£30,700,000	60/40	£30,700,000	60/40	0	0
Capacity Funding	£6,400,000	0/100	£6,400,000	0/100	0	0
Total	**£200,000,000**		**£181,950,127**		**£18,049,873**	

Table 1: Revised project / programme budget

3.7 During the period since the short-list was agreed by GCR Cabinet, Scottish Enterprise 'sector specialists' have been working with the short-listed bidders to refine their project budgets. The revised project budget information contained in Table 1 is reflective of these discussions.

3.8 As can be noted from Table 1 there is still a £21.9m funding gap between the overall GCR IZ programme budget and the available £160m IZ grant.

3.9 UK and Scottish governments have been clear the GCR IZ Gateway 4 budget submission must meet the £160m grant available together with the Capital / Revenue split.

3.10 To maintain the two regional projects at the agreed allocations and ensure a balanced budget, Scottish Enterprise has provided a 'letter of commitment'. The letter states:

To this end, I can confirm that we will plan on the basis of contributing £22-25m of capital funding from Scottish Enterprise over the next ten years towards gap funding for the six key Investment Zone advanced manufacturing projects. We anticipate that this confirmation would allow all six projects to proceed to detailed business case. In addition, we would hope that this offer will help ensure that more of the GCR IZ grant can be re-cycled to directly support the Skills and Business Support interventions and the Investment Fund, to ensure maximum impact from the GCR IZ programme across the wider city region.

3.11 Following this commitment from Scottish Enterprise, GCR is now working with the UK and Scottish Government to refine the GCR IZ programme budget, to meet both the requirements of the bidders and the funders. Discussions are also ongoing with the

National Wealth Fund (NWF) regarding any additional programme finance that can be incorporated.

4 Non-Domestic Rates Retention

4.1 As per the agreement of the CEG 14 May 2025, the GCR PMO has engaged with the Member Authorities (MAs) to understand the opportunities to identify three sites, of 200 hectares each, to a total of 600 hectares that could be considered as potential sites for the retention of Non-Domestic Rates (NDRR). GCR has already proposed one NDRR site, contiguous with the identified Tax-Site at the Airport and the Advanced Manufacturing Innovation District Scotland (AMIDS).

4.2 The revenue generated from the retention of NDR is over and above the £160m grant allocation from the UKG and is a devolved responsibility of the Scottish Government. The retention of rates is on the basis of any uplift in NDR, within the 'red-line' boundary, from an agreed baseline with Scottish Government.

4.3 The GCR PMO developed a high-level application and evaluation process and asked MAs to submit options by Friday 30 May 2025.

4.4 Six of the eight MAs submitted proposals to be considered by the PMO. Based on these submissions, a number of proposals have been taken forward and further refined following feedback from the Scottish Government. They are considered to present the best link to the Investment Zone objectives together with the most viable development timeline.

4.5 Advice and guidance on the options is also being provided by KPMG, through their original commission with Renfrewshire Council. As the refinement of the red-line boundary for each location continues, information is being gathered to better understand:

- the development timeline on an annual basis;
- use type; and,
- and floor space available.

These three elements will enable KPMG to make an estimate of the revenue generation potential from each location over the 25-year period.

4.6 SG guidance has made clear, GCR must make a robust argument for the rationale for any proposed NDRR location. Any location must meet the 'but-for' test, where this is defined as; *'retention of non-domestic rates is a direct consequence of Investment Zone status'.* It is incumbent on GCR to provide a clear narrative for the locations that are proposed.

4.7 Table 3 provides details of the potential NDRR locations that are being refined as part of the Gateway 4 process, outline maps are included in Appendix 1:

Location	Member Authority	Potential Size
AMIDS / Airport	Renfrewshire Council	146 Hectares
Eurocentral	North Lanarkshire Council	195.5 Hectares
Glasgow Clyde Corridor	Glasgow City Council / South Lanarkshire Council	209 Hectares

Table 3; List of potential NDRR locations

4.8 The GCR PMO is confident there is a clear rationale for the three areas that have been proposed and initial feedback from SG supports this. The NDRR site at the

Airport / AMIDS has a clear link to the GCR IZ and the Advanced Manufacturing sector via the proposed tax-site. Meanwhile there are already a significant number of Advanced Manufacturing companies located within the Eurocentral boundary. The proposal that covers GCC and SLC is centred on existing Advanced Manufacturing activity through the Innovation Districts at both Glasgow and Strathclyde Universities and clearly link with the ongoing development at the Clyde Gateway URC. In addition, there were a number of strong bids for the original GCR IZ 'open-call' based in each of the potential locations for NDRR.

4.9 As per the SG NDRR guidance, any retained rates must be used to directly support the Investment Zone programme:

- *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*

4.10 The PMO continues to work with Renfrewshire Council, North Lanarkshire Council, Glasgow City Council, South Lanarkshire Council and Clyde Gateway URC to further refine the location options in advance of the final formal submission of Gateway 4 at the end of September 2025.

4.11 As noted to previous CEG and GCR Cabinet, 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 Next Steps

5.1 The GCR PMO will continue to work with the short-listed bidders and Scottish Enterprise in the development of the budget profile and narrative for the final Gateway 4 submission.

5.2 The GCR PMO, together with Renfrewshire Council will continue to work with UK and Scottish Government on the refinement of the proposed tax-site and the financial envelope that creates, ensuring no financial risk to Renfrewshire Council.

5.3 During September, Renfrewshire Council, Glasgow City Council, North Lanarkshire Council and South Lanarkshire Council will all seek local committee approval for the collection and retention of Non-Domestic Rates, in line with the requirements of Gateway 3 process.

5.4 A final draft of Gateway 4 will be submitted to UK and Scottish governments by Tuesday 30 September 2025.

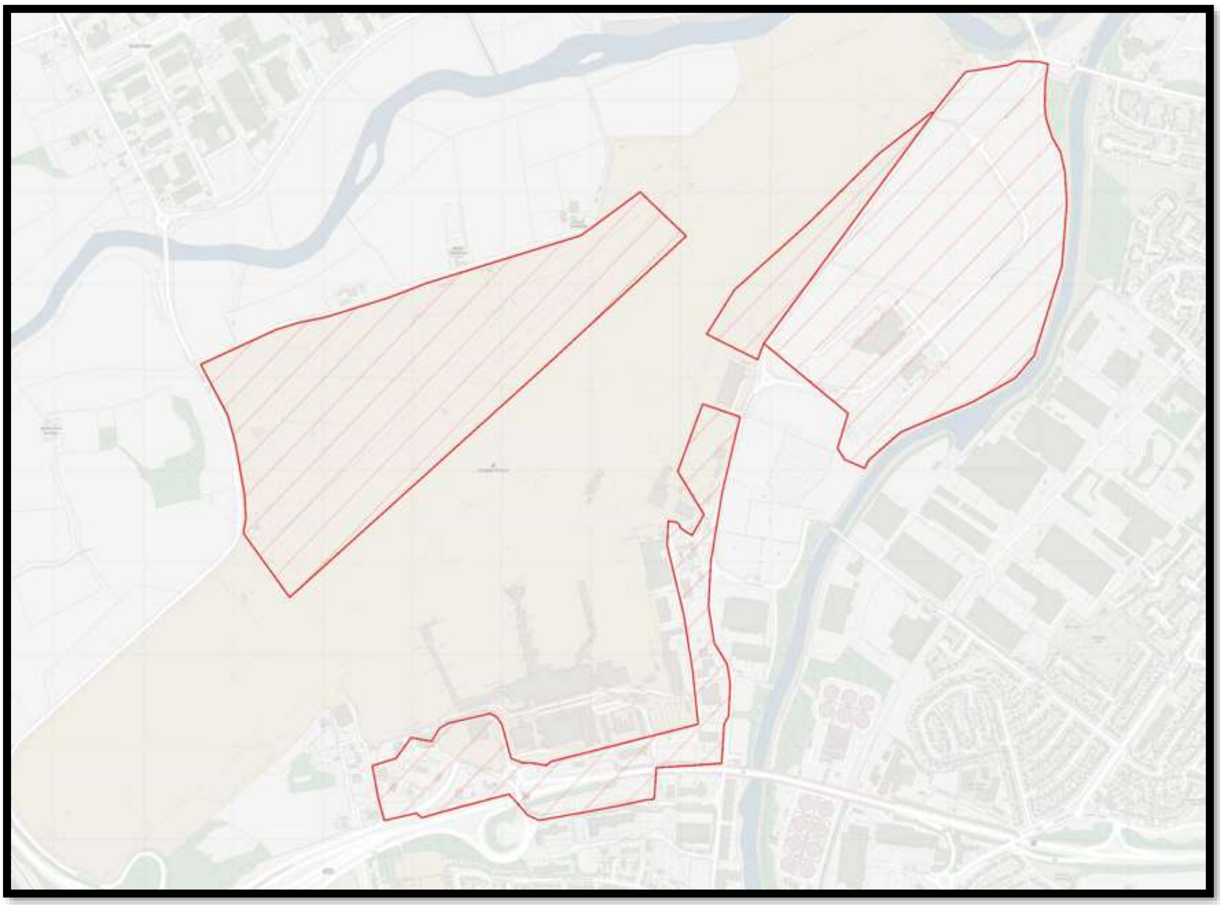
6 Recommendation

6.1 The Glasgow City Region Cabinet is asked to:

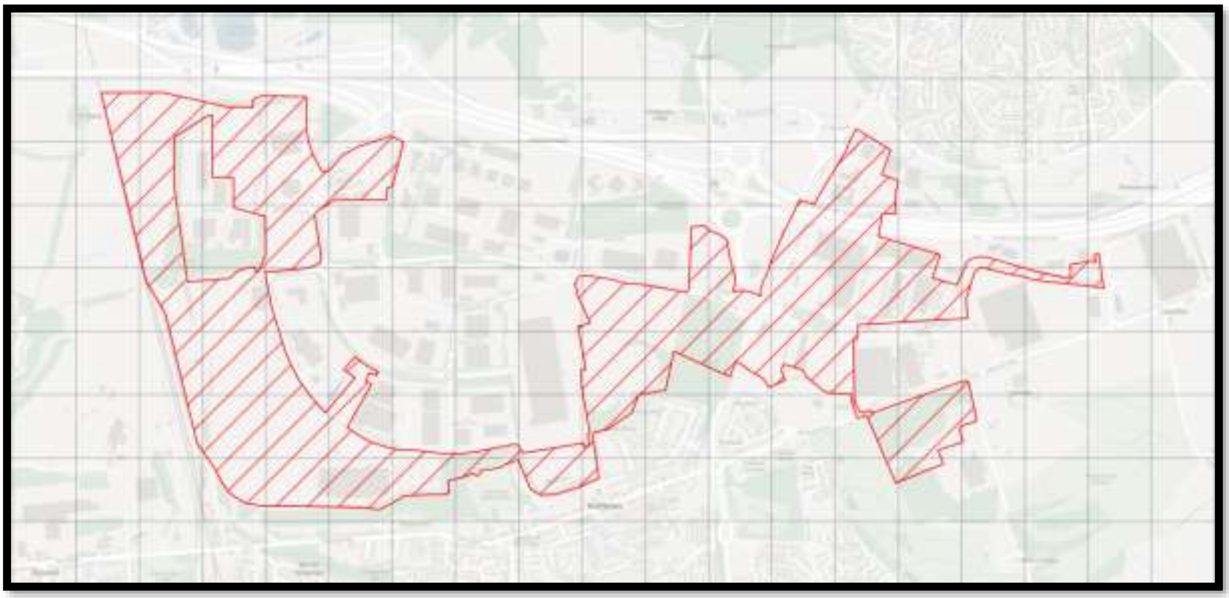
- Note the content of the report; and,
- Agree the three proposed locations for the retention of Non-Domestic Rates, subject to the local agreement of Renfrewshire Council, Glasgow City Council, North Lanarkshire Council and South Lanarkshire Council

Appendix 1 – Proposed NDRR Location Maps

NDRR 1 – Airport / AMIDS



NDRR 2 - Eurocentral



NDRR 3 – Glasgow Clyde Corridor