



Glasgow City Region Cabinet

Report by: Director for Regional Economic Growth

Contact: Mike McNally michael.mcnally@glasgow.gov.uk

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 proposed short-list for the Glasgow City Region Investment Zone programme

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 Cabinet will be aware, it was announced 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.
- 2.2 The IZ programme provides £160m of grant funding, over a 10-year period (from 1 April 2025), to support the growth of a key sector within the GCR.

3 Progress to Date

- 3.1 Objectives for the GCR IZ were approved by Cabinet (7 November 2023) and agreed with UK and Scottish Government in the autumn of 2023.

Objectives

- i. Build on strengths of the Region's current and emerging cluster specialisms
 - ii. Grow new and existing R&D focused firms which are geared to take advantage of local academic expertise
 - iii. Create a significant number of mid to high skilled 'good' jobs
 - iv. Generate short and longer-term private sector investment in the Region's cluster specialisms – both through existing firms and wider supply chain development
 - v. Align with existing investment within the Region e.g. City Deal, Innovation Districts / Innovation Accelerator, UK Shared Prosperity Fund
 - vi. Maximise the impacts through enhancing connections to existing clusters
 - vii. Facilitate the development / regeneration of under-developed land and assets within the Region
 - viii. Extends the benefit to the whole Region including developing options for a IZ skills programme for local residents and a regional investment fund.
- 3.2 An Expression of Interest (EOI) process was launched (September 2023 – November 2023) to both elicit interest from Private Sector and Academic partners, but also to help refine the sectoral focus of the IZ. With over 90 EOIs submitted, the three remaining sectors were identified as: Advanced Manufacturing, Life Sciences and Digital Technology.
- 3.3 An 'Open Call' process was then published in January 2024 with bidders given three months to submit bids that provided detailed information based on the UK Government Greenbook Business Case methodology. These bids provided information on: the Strategic Case, the Economic / Commercial Case; the Financial / Management Case. The Open Call resulted in 41 applications, with a value of over £1.8bn with the grant ask being in the region of four times oversubscribed.
- 3.4 The evaluation methodology for the Open Call was agreed by the GCR Chief Executives' Group 14 March 2024.
- 3.5 Following the conclusion of the 'Open Call' the evaluation of bids and general progress in the development of the GCR IZ programme was impacted by the

announcement of the UK General Election. UKG advised GCR in mid-May that work on the IZ programme would proceed 'at risk' during the pre-election period. Following the outcome of the General Election, this period 'of risk' remained, during both the summer recess period and the months prior to the Autumn Budget statement. The Chancellor made a commitment to the funding of the IZ programme 30 October 2024.

4 'Open Call' Evaluation

4.1 As noted in section 3.4 the Evaluation Methodology for the 'Open Call' process was agreed by the CEG, it comprised of four stages:

- Quantitative Scoring by GCR PMO to ensure minimum quality threshold
- Qualitative Feedback from sectoral specialists in both InnovateUK and Scottish Enterprise
- For bids that achieved the minimum quality threshold, a wider sectoral impact review was undertaken by the GCR Intelligence Hub
- Overall review by the Strategic Assessment Panel (SAP)

4.2 The SAP operated within a series of broad parameters, considering individual bids that could form an element of the wider programme and noting the following:

- Projects should demonstrate additionality;
- Investment should provide new capability;
- Projects should leverage addition private sector investment;
- Activity will demonstrably support wider cluster development;
- Individual projects must align within an overall programme;
- Individual project risk will be spread across the programme; and
- There is the opportunity to over programme

It should also be remembered the assessment process was not a procurement but a strategic programme assembly.

4.3 The first outcome from the SAP was the recommendation for the 'Sector & Geography'. Following approval of Cabinet (11 June 2024) the Sector & Geography Gateway 2 submission was presented to government, formal approval from UK and Scottish governments is awaited.

4.4 To support the analysis and refinement of the applications, submissions were grouped into broad categories following review:

- **Green** (Progress to short-list with additional clarification)
- **Amber** (Potential to achieve short-list, but didn't score as highly on quality assessment)
- **Enabling Skills** (Bids that focused on Skills Development, considered enabling rather than 'transformational'). These bids will be considered when developing the skills programme to support the overall IZ programme – dedicated business / supply chain support will also be considered in this phase.
- **Enabling Space** (Bids that focused on creation of additional capital infrastructure, considered enabling rather than 'transformational'). These bids will be reviewed in line with the budget retained for the 'Investment Fund'.
- **Failed** to meet the quality threshold

4.5 This approach has led to a GCR IZ Programme 'Short-list' and the SAP has recommended that individual projects and the IZ Programme will:

- Target strategic investments in **critical technologies** that underpin the next generation of innovation in the chosen sector
- Build on existing Regional strengths in the sub-sectors of: **Semiconductors, Space and Maritime**
- Focus on investments in enabling activity to **support wider innovation ecosystem growth**

5 Regional Cluster Growth Benefits

- 5.1 Within the agreed GCR IZ Sector and Geography, the GCR IZ Programme will focus on a number of sub-sectors, where the region already has world-leading strengths:

Space: boost GCR technology independence, with diverse application across other industries. In addition, it will support existing and new R&D focused firms to work collaboratively and keep GCR at the heart of the UK's thriving space sector

Advanced Semi-Conductor Packaging: creation of a world leading prototyping capability in advanced packaging and provide access to expensive fabrication and test infrastructure that is unaffordable to local SMEs. In addition, it will create a national centre for manufacturing scale up of advanced semiconductor devices and enable manufacturing at scale, allowing companies to grow and collaborate to create a local supply chain and develop an open-access scale-up facility

Maritime: Open-access facilities and shared resources will help build strong and future focused supply chain to meet demand for major upcoming opportunities and secure growth across the Region

Tax Site: incorporation of a tax site within the Investment Zone programme creates additional opportunities for growth. Building on existing assets such as AMIDS, NMIS, NMIC and Glasgow Airport, the tax site focuses on creating scalable opportunities through strategic land development

- 5.2 The overall GCR IZ Programme will also provide enabling support, to spread benefits to the sector across the region. It is proposed there is an **Investment Fund**, to support the ongoing growth of the sector. The fund will be available to support key inward investment opportunities that can enhance and complement the established business base. Ring-fenced funding to accelerate supply-chain growth and workforce readiness will also be built into the GCR IZ Programme. This **Tailored Business Support** will provide supply chain companies with targeted resources and expertise to innovate, scale, and commercialize new technologies. **Skills Development** will provide training and upskilling to existing workers and opportunities for new entrants, supporting emerging needs in high-growth industries of semiconductors, space, and maritime sector.

- 5.3 In addition, the GCR IZ will also use best practice to take an inclusive innovation approach to its development and delivery. This activity has been supported by ongoing engagement with Metro Dynamics funded via the Inclusive Growth Network.

- **Open-Access Facilities:** Enabling shared use of advanced manufacturing infrastructure to foster cross-sector collaboration and innovation.
- **Technology Diffusion:** Facilitating access to transformative technologies, such as decarbonisation tools for SMEs – particularly vital for SMEs that underpin the Region's innovation economy. By democratising access, these businesses can

enhance productivity, adopt sustainable practices, and secure positions in high-value markets.

- **Promoting Fair Work and Inclusive Growth:** Through collaboration with the Inclusive Growth Network, the programme embeds fair work principles to ensure that residents from disadvantaged socioeconomic backgrounds benefit from the jobs and opportunities generated.
- **An Equalities Impact Assessment (EQIA):** will be undertaken following the Gateway 4 stage of the GCR IZ programme development. An EQIA is designed to help organisations ensure that their policies, practices, events and decision-making processes are fair and do not present barriers to participation or disadvantage any protected groups from participation

5.4 Table 1 provides a breakdown of the proposed GCR IZ proposed short-list.

Sector	Project	Grant Ask
Space	Skyrora	£3.7m
	Project PRISM	£33.2m
Semi-Conductors	Laser Supply Chain	£25.5m
	NCASP	£35.3m
	Neuranics	£5.1m
Maritime	Malin Group	£20m*
Tax Site	N/A	£30m*
Sectoral Support	Investment Fund	£30.7m
	Business Support / Skills	£10m
Capacity Funding	N/A	£6.4m
Total		£200m

Table 1 GCR IZ Short-listed projects

5.5 The recommended GCR IZ short-listed projects can also be grouped under a number of broad headings:

Regional Cluster Growth (£40.7m)

- Investment Fund
- Business Support / Skills

Region Wider Sector Growth Innovation Centre (£120.4m)

- Project PRISM
- Laser Supply Chain
- NCASP
- Malin Group

Project Investment (£8.8m)

- Skyrora
- Neuranics

Site Growth (£30m)

- Tax Site

6 Next Steps and Due Diligence

6.1 As noted in Section 4.3 formal sign-off of the GCR IZ Gateway 2 submission is awaited.

- 6.2 A draft of Gateway 3 'IZ Governance' has been submitted to governments.
- 6.3 With the agreement of Cabinet, it is proposed that the next phase of GCR IZ Programme Development will involve in-depth due diligence of those 'short-listed' projects. This analysis will consider the proposed interventions, expected outputs and outcomes, together with a full budget profile, over the 10-year period of the IZ. This phase will also include the completion of the Gateway 4 submission.
- 6.4 As part of the due diligence phase, the GCR Intelligence Hub will also undertake a further review of the economic analysis / impact of each submission, to ensure consistency of approach in measuring outcomes and impacts.
- 6.5 Those organisations who have not been successful in being 'short-listed' will be contacted and feedback provided on their application and the assessment process. Relationships will be maintained with these organisations to consider other opportunities where they can support the growth of the regional economy.
- 6.6 Specialist tax advice is currently being commissioned by Renfrewshire Council. This support will be funded through the GCR IZ Capacity allocation, from 1 April 2025.

7 Recommendation

- 7.1 The Glasgow City Region Cabinet is asked to:
- Note the content of the report; and,
 - Agree the proposed short-list for the Glasgow City Region Investment Zone programme