Item 11
17th November 2026

Glasgow City Region Cabinet

Report by: Kevin Rush, Executive Director of Economic Growth

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

Glasgow City Region Investment Zone Mid-Year 2 Report 2026/27 and the development of the Investment Fund, Non-Domestic Rates Income Re-Investment Strategy and Skills Programme

Purpose of Report:

This report updates the Cabinet on the Glasgow City Region Investment Zone Mid-Year 2 Report (2026/27) and the development of the Investment Fund, Non-Domestic Rates Income Re-investment Strategy and Skills Programme.

Recommendations:

The GCR Cabinet is asked to:

a) Note the contents of this report and its appendices;
b) Endorse the report and appendices for submission to the UK and Scottish Government

1 Purpose of the Report

1.1 This report updates the Cabinet on the Glasgow City Region Investment Zone (GCR IZ) Mid-Year 2 Report (2026/27) and the development of the Investment Fund, Non-Domestic Rates Income Re-investment Strategy and Skills Programme.

2 Background

2.1 As Cabinet will be aware, the development of the Glasgow City Region Investment Zone (GCR IZ) followed the announcement in summer 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 GCR IZ Mid-Year 2 (2026/27) Delivery Report

3.1 The Mid-Year Report is attached as **Appendix 1** to this report, however noted below are some of the key elements.

3.2 Following approval of the Year 2 2026/27 Annual Delivery Plan by both governments, Scottish Government has progressed the associated 2026/27 Investment Zone funding. The General Revenue Grant is due to be paid on 4 November 2026, with the General Capital Grant following on 13 November 2026, supporting delivery of the agreed programme of activity and outputs.

3.3 During the reporting period, the Scottish Investment Zones Subsidy Scheme was amended to incorporate up to £25 million of additional Scottish Enterprise funding, enabling supported projects to utilise the existing subsidy framework.

3.4 Glasgow City Region and Scottish Enterprise have jointly developed draft Heads of Terms to support the transfer of up to £25 million of additional capital funding to the Investment Zone Programme through existing governance and assurance arrangements. The proposed funding mechanism, developed in line with the Investment Zone MoU, Assurance Framework and subsidy control requirements, remains subject to Scottish Enterprise governance approvals, including Board consideration in November 2026, following which a formal funding agreement will be progressed.

3.5 The 10-year Grant Pass-Down Agreement and the Year 1 Grant Offer Letter were issued to GCR IZ projects on 2 April 2026. Discussions and legal review have been ongoing and are now in the final stages between individual projects and GCC Legal, with the agreements progressing through the remaining sign-off processes. It is anticipated that all agreements will be formally executed during Q3 2026/27

3.6 Neuranics has executed the 10-year Grant Pass-Down Agreement and Year 1 and 2 Grant Offer Letter, enabling project delivery to commence, with eligible claims now processed and reimbursed, marking the first Investment Zone project to enter active delivery and financial drawdown.

3.7 Individual IZ projects continue to progress through the agreed GCR assurance process, developing and submitting Strategic, Outline and Full Business Cases in line with their individual delivery timescales. During the reporting period, Full Business Cases for Neuranics, the Tax Site, Skyrora, and Laser Supply Chain and Advanced Packaging were approved by the GCR Chief Executives' Group, alongside approval of

the Malin Strategic Business Case and PRISM Outline Business Case, while NCASP continued development of its Full Business Case. Projects will move into delivery following approval of their Full Business Cases and the associated programme Grant Pass-Down Agreement and Grant Offer Letter have been executed.

4. Non-Domestic Rates Income Re-Investment Strategy Draft

4.1 The Non-Domestic Rates Income Re-Investment Strategy is a core component of the GCR IZ Programme and is specifically referenced in the GCR IZ MoU. An updated draft of the Strategy is included at **Appendix 2**.

4.2 The Strategy provides the framework for retaining and reinvesting incremental non-domestic rates generated within three approved NDR Retention Sites - AMIDS/Airport, Glasgow Clyde and Eurocentral with retained rates pooled at a regional level and reinvested in line with agreed priorities to support GCR IZ objectives.

4.3 Up to 100% of incremental rates growth above an agreed baseline subject to a displacement factor of 7.46% may be retained for up to 25 years, providing a long-term funding mechanism to support economic growth, infrastructure delivery and innovation, with a particular focus on accelerating growth in the Advanced Manufacturing and Precision Engineering (AMPE) sector.

4.4 The Non-Domestic Rates Income Re-Investment Strategy sets out the overarching framework for the retention and reinvestment of non-domestic rates within the Investment Zone, beginning with an introduction and the purpose of the NDRR sites. It outlines the strategic objectives, supported by illustrative values to demonstrate potential income generation, and defines the geographical focus and intended beneficiaries. The Strategy also explains how retained rates will be used to support Investment Zone priorities, alongside the decision-making, governance and accountability arrangements that will oversee the pooling, allocation and reinvestment of funds.

4.5 The Strategy is being developed to set out how income generated through the Investment Zone will be reinvested to support agreed regional priorities. The strategy also outlines opportunities for Regional Partnership members to be involved in shaping its ongoing development, together with the support of the National Wealth Fund, through their Strategic Partnership with GCR.

4.5 As per the GCR IZ Gateway submission and agreed at GCR 19 August 2025, the final Non-Domestic Rates Income Re-Investment Strategy will be agreed by GCR Cabinet in due course.

5 Investment Fund

5.1 Initial engagement with the National Wealth Fund commenced during Q1 2026/27 to inform the development, design and delivery of the proposed £33.7 million Investment Fund. This included consideration of how any potential programme underspend in 2026/27 could be utilised to maximise economic impact and leverage additional investment.

5.2 Development of the Investment Fund has subsequently been incorporated into the wider Regional Empowerment Programme, Investment workstream. Led by Graham Smith, Head of Investment, International and Innovation at Glasgow City Council, an

Investment Group has been established to oversee the development of the investment strand of the devolution programme.

5.3 The GCR PMO is working closely with the National Wealth Fund and regional partners to explore how the Investment Fund can be developed both as a mechanism to manage and deploy retained Rates revenues and as a strategic investment vehicle to support the long-term objectives of the Investment Zone. The Investment Group will also play a key role in shaping the retained Non-Domestic Rates (rNDR) Investment Strategy.

5.4 Work on the Investment Fund and Non-Domestic Rates Income Re-Investment Strategy has been brought together as a single workstream, with both elements informing the development and design of the new GCR Innovation Fund. The Fund Design Principles are provided at **Appendix 3.**

5.5 The National Wealth Fund will chair a Short Life Working Group to support the further development of the GCR Innovation Fund design. The Group will work through and refine the proposed approach, including how the GCR Investment Zone Investment Fund and Non-Domestic Rates Income Re-Investment will be incorporated within the wider Innovation Fund model. This work will provide a structured forum to test and develop the design principles and ensure that the proposed arrangements are robust and deliverable.

5.6 The final approach will be developed in conjunction with the UK Government and Scottish Government, with agreement sought from both governments before the proposals are presented to GCR Cabinet in March 2027 for approval. Subject to the necessary agreements and approvals being secured, work is progressing towards the GCR Innovation Fund becoming operational by the end of the 2026/27 financial year.

6 Skills Programme

6.1 Glasgow City Region has strengthened capacity to deliver its regional skills agenda through the appointment of a Group Manager for Skills in May 2026. Alongside the £5 million already allocated for skills activity in Years 6-10 of the Investment Zone programme, a Memorandum of Understanding between the Scottish Government and Glasgow City Council, as Accountable Body, secured a further £4 million to support the development and delivery of the regional Skills Programme. A key focus of this role is the design and implementation of the GCR Investment Zone Skills Programme.

6.2 Since taking up post, the Group Manager for Skills has undertaken engagement with project leads, local authorities, further and higher education institutions, industry, Scottish Enterprise, Skills Development Scotland and wider regional and/or sectoral stakeholders to inform the development of the Skills Programme. The purpose of the engagement was to understand the current and future skills and workforce challenges facing the sector and sub-sectors across the region.

6.3 Building on this engagement, a regional skills design workshop was convened on 20 October 2026, bringing together Investment Zone projects and key partners and stakeholders. The purpose of the workshop was to share the emerging findings from the consultation and test a proposed Phase 1 delivery model, enabling attendees to help shape the future direction of the programme. Table 1 provides a breakdown of the high-level programme interventions and proposed budget.

Programme Interventions	Lot 1: Entry Level Talent Pipeline (35% of funding) Lot 2: Higher Technical Skills (50%) Lot 3: Upskilling/Reskilling (15%)
Length	3 years (2027 – 2030)
Funding	£2,000,000

Table 1: Proposed GCR IZ Skills Programme – Phase 1

6.4 Feedback from the workshop session is being analysed and will inform the refinement of Phase 1 programme. Phase 2 of the GCR IZ Skills Programme would commence in Year 6, with the additional £1m per annum IZ Skills funding.

7 Recommendation

The GCR Cabinet is asked to:

a) Note the contents of this report and its appendices;
b) Endorse the report and appendices for submission to the UK and Scottish Government