Glasgow City Region Investment Zone
GCR Innovation Fund Design Principles
(including Non-Domestic Rates Income Re-Investment Strategy)
V2 |DRAFT OUTLINE

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A.OVERVIEW OF THE PROPOSED FUND

1. Purpose of this paper

The GCR Investment Zone incorporates £160m of grant funding, profiled over 10 years, as well as retention of business rates above a baseline from the three agreed Non-Domestic Rates (NDR) sites – estimated at up to an additional £160m over 25 years. A further £25m from Scottish Enterprise has been transferred into the programme and there are also tax benefits for businesses locating in the smaller tax site around the airport and AMIDS (included within the original £160 IZ funding envelope).

The Investment Zone funding has largely been allocated to projects and workstreams, with most projects close to agreeing a full business case. For NDRR, an MoU has been signed by the relevant parties which sets out the general principles and arrangements for how Non-Domestic Rates (NDR)

should be retained and reinvested, with a longer term *NDRR Income Re-Investment Strategy* due to set these out in more detail.

Over the past six months, as this strategy is being drafted, the potential of Regional Empowerment for GCR has become more likely. The final form this will take is currently unknown but there is the potential for a more significant role for GCR in making investments in strategic areas, building on the experience of administering the City Deal and other Government funds, many of which have had an innovation focus. This would require a step-up in terms of the ambition and capacity of GCR.

This paper makes the case for a '*GCR Innovation Fund*' that would combine the NDRR and IZ funds – as well as others over time - into a single managed programme within GCR with an appropriate operating model – appraisal and governance processes, sector, investment and management expertise – required to manage diverse funds and provide support to the GCR innovation ecosystem on a permanent basis.

The following sections will set out:

a. the likely **scale of the joint fund** and expected projects
b. **the objectives of the fund** and its theory of change
c. **how the fund will operate** and make decisions

As of October 2026, (a) is partly understood but (b) and (c) are subject to uncertainty and will look different depending on the extent of regional empowerment to GCR and its resulting mandate and operating framework. As a result, this note will set out a structure for these sections, with detail to be confirmed once the direction of travel is clearer.

For the avoidance of doubt, this note incorporates the NDRR Re-investment strategy and the GCR IZ Investment Fund into the new GCR Innovation Fund design.

2. Overview of NDRR

The Non-Domestic Rates Income Re-Investment Strategy is a core document of the Glasgow City Region Investment Zone (GCR IZ) and referenced in the Memorandum of Understanding (MoU) between Ministry of Housing, Communities and Local Government, the Scottish Government and Glasgow City Council as the Accountable Body which was signed February 2026

The Memorandum of Understanding sets out the principles and arrangements for the retention and reinvestment, across the Glasgow City Region, of incremental non-domestic rates generated within the designated NDR Retention Zones. This is intended to support the delivery of the Investment Zone objectives, including economic growth, infrastructure development and innovation.

The location of three sites for retention of non-domestic rates has been agreed by the Glasgow City Region Cabinet and individually by each of the Local Authorities as follows: NDRR1 (AMIDS / Airport), NDRR 2 (Glasgow Clyde), NDRR 3 (Eurocentral) (the NDR Retention Zones).

Each constituent partnership member: Renfrewshire Council, Glasgow City Council, North Lanarkshire Council and South Lanarkshire Council have each secured formal committee approval, agreeing that their council will continue to be responsible for collecting Non-Domestic Rates locally. In addition, that any Non-Domestic Rates growth retained, as a result of the NDRR site, be pooled at the regional level and re-invested back into the GCR Investment Zone programme, in line with overall Investment Zone objectives; and that this re-investment should be determined by GCR Cabinet.

This approach has also been endorsed through the GCR Chief Executives' Group (CEG) and GCR Cabinet aligned with established GCR Governance structures.

With approvals secured from each Member Authority Committee and the Glasgow City Region Cabinet, operational management and governance responsibilities for the three locations has been delegated to the NDRR Steering Group. The Group's remit will focus on the operational delivery of NDRR and will not extend to the development or management of the reinvestment strategy or decisions on how retained NDR is reinvested

Core membership will comprise the GCR Programme Manager, NDR finance representatives from the relevant Member Authorities, Clyde Gateway and programme/delivery management representatives. Scottish Government NDR colleagues, together with assurance, audit, legal and delivery partner finance representatives, will attend by invitation as required.

An MoU has been signed between Glasgow City Council as the Accountable Body and the four Member Authorities, Glasgow City Council, North Lanarkshire Council, Renfrewshire Council and South Lanarkshire Council to set out the principles and arrangements for the administration of the NDRR

The Parties commit to working collaboratively in relation to NDRR, guided by the principles of transparency, equity and accountability. Transparency will be achieved through open reporting of NDRR uplift and expenditure. Equity will be ensured by allocating funds in line with agreed regional priorities rather than solely local benefit. Accountability will be maintained through governance exercised via established Local Authority committee structures and the Glasgow City Region governance framework.

Each Local Authority will be responsible for the collection and reporting of NDRR data, while Cabinet will be responsible for approving reinvestment proposals.

The Parties agree that incremental NDR uplift, calculated on a "but-for" basis, will be retained locally and transferred to a regional pooled fund. These funds will be ring-fenced for Investment Zone objectives. Costs incurred by the Lead Authority and Local Authorities in the management of NDRR shall be financed through GCR IZ Capacity Funding.

3. Purpose of NDRR Sites

As set out in the Investment Zones in Scotland: Technical document, the Regional Economic Partnerships (REPs) may choose to opt in to non-domestic rates retention in Investment Zones. Retained receipts should be used to cover borrowing costs (where relevant); or re-invest in the Investment Zone to generate further growth.

The GCR IZ programme has been designed to catalyse growth of the Advanced Manufacturing and Precision Engineering (AMPE) sector. This can be seen in the major investment proposed for open access facilities which will grow existing business and attract new ones. Three NDRR sites have been identified to benefit from 100% retention of non-domestic rates growth from an agreed baseline for 25 years subject to a displacement factor of 7.46%.

The NDR policy - IZ relief and retention guidance provides up to 100% NDR income retention within the designated tax sites over an established baseline and subject to a displacement factor. The GCR Tax Site went LIVE on 26th February 2026 (the Tax Site is also the one of the three locations for NDRR). The

initial Baseline Income, for the delineated area within which retention is to take place will be set through an Initial Baseline Income return as at 25 February 2026, the day before tax designation.

The local retention of incremental NDR growth generated on the NDRR Sites has the potential to provide a significant opportunity to facilitate further investment within the Investment Zone. GCR is committed to using this funding to support the growth of the priority sector (AMPE) by supporting infrastructure delivery, skills development, supply chain development and fostering links to the wider innovation ecosystem.

4. Illustrative Values of NDRR and IZ

If the projected levels of investment and development are realised, the sites could generate around £160 million in retained NDR (real values), as outlined below:

	Undiscounted	Discounted using PWLB rates
Glasgow Airport and AMIDS	£56.3m	£20.8m
Eurocentral	£49.2m	£21.5m
Clyde corridor	£56.9m	£22.2m
Total	**£162.4m**	**£64.4m**

In addition, the Investment Zone is a further £160m of grant funding over 10 years, of which ~£125m is allocated to programmes and £35m is reserved in a flexible fund. There is also a running underspend from the Investment Zone which may available to reinvest.

This means that the total programme size is likely to be upwards of £300m over 25 years. Decisions about borrowing and the recycling of funds have not yet been taken but will impact on the overall size of the fund and profile of spending.

B. PROGRAMME OBJECTIVES AND THEORY OF CHANGE

5. Objectives

The objectives for the GCR Innovation Fund should be aligned to the agreed GCR IZ Objectives, as shown below:

GCR IZ Objectives

The GCR IZ programme has been shaped around clear, GCR Cabinet-approved, objectives:

- **Build on strengths** of the Region's current and emerging cluster specialisms
- **Grow new and existing R&D focused firms** which are geared to take advantage of local academic expertise
- Create a **significant number of mid to high skilled 'good' jobs**
- **Generate short and longer-term private sector investment in the Region's cluster specialisms –** both through existing firms and wider supply chain development
- **Align with existing investment within the Region** e.g. City Deal, Innovation Districts / Innovation Accelerator, UK Shared Prosperity Fund
- Maximise the impacts through **enhancing connections to existing clusters**
- Facilitate the **development / regeneration of under-developed land and assets** within the Region
- **Extends the benefit to the whole Region** including developing options for a IZ skills programme for local residents and a regional investment fund.

The theory of change on the next page shows how the inputs, activities, outputs and outcomes of the Innovation Fund will achieve these objectives, and ultimately create impact across the Region.

Figure 1: GCR Innovation Fund - DRAFT Theory of change

Inputs	
Funding & Finance	NDRR funding / borrowing
	IZ funding / borrowing
Co- ordination & Convening	Other public sector funds eg LIPF, SE grants.
	Coordinate with Innovation ecosystem on opportunities (GRID, GCID, CG, AMIDS)
	PuFin and private sector finance around innovation
	Coordinate with Innovation ecosystem on opportunities (GRID, GCID, CG, AMIDS)
Programme management	Resources to manage the fund

Activities	
Infrastructure funding/finance	Early stage development studies, planning etc
	Land, remediation abnormal costs
	Viability funding for speculative builds
Corporate funding/finance	Direct grants/loans to innovative supply chain companies
Funding for external initiatives	Innovation / R&D grants
	Skills / business support grants
Coordination and convening support	Coordinate with Innovation ecosystem on development and promotion of local opportunities (GRID, GCID, CG, AMIDS)
	Coordinate with other public sector funds eg LIPF, SE grants.
	Coordinate PuFin and private sector finance around innovation
	Coordinate specialist VCs, developers and operators
Business / innovation system support	Innovation intelligence / analysis
	Ecosystem support and incubation

Outputs	Metrics
New business creation in the sector	No of net new business in sector
Major scale-up success	No. of GCR founded unicorns
Innovative companies grow and scale	No of IPOs / private sales
Support university spin outs to commercialise	No. of successful spinouts from GCR Uni/colleges
Increase high skilled jobs in AMPE	No. of jobs
	Average wages in sector
AMPE skills improved	Level of Qualifcations
Land remediated	Acres remediated
New floorspace constructed	Sq.ft
VC / PE £ flows into Glasgow	£
Deals between local firms	No. of deals
Events and initiatives hosted	No of events
VC / PE £ flows into Glasgow	£

Outcomes	Metrics
More opportunities succeed in GCR	TBC
Innovative grow and scale	TBC
Start ups scale	TBC
AMPE skills improved	TBC
Infrastructure accelerated	TBC
Increased cross-sector opportunities and resulting development of sector	TBC

Objectives -->	Impacts
Grow new and existing R&D focused firms which are geared to take advantage of local academic expertise	1. Catalyze growth and productivity in the AMPE sector
Generate short and longer-term private sector investment in the Region's cluster specialisms – both through existing firms and wider supply chain development	
Create a significant number of mid to high skilled 'good' jobs	2. Create high-paying jobs and improve the skills base in the APME sector
Facilitate the development / regeneration of under-developed land and assets within the Region	3. Contribute to the regeneration of places through creation of productive infrastructure
Build on strengths of the Region's current and emerging cluster specialisms	4. Create a thriving and coordinated AMPE/Innovation sector across the Glasgow City Region
Align with existing investment within the Region e.g. City Deal, Innovation Districts / Innovation Accelerator, UK Shared Prosperity Fund	
Maximise the impacts through enhancing connections to existing clusters	
Extends the benefit to the whole Region including developing options for a IZ skills programme for local residents and a regional investment fund.	

C. OPERATING FRAMEWORK

6. Geographical Focus and beneficiaries

The geographical focus of the Investment Zone will cover the full Glasgow City Region (GCR) geography. At this stage, specific beneficiaries and potential projects have not yet been determined and will be subject to agreement by the GCR Cabinet.

The GCR Programme Management Office (PMO) will lead the development of the Re-Investment Strategy, working closely with the National Wealth Fund (NWF) to ensure alignment with national objectives, funding criteria, and best practice. This will include exploring appropriate investment themes, delivery mechanisms, and governance arrangements suitable for the Investment Zone. This will provide the opportunity to maximise the impact of retained rates, potentially bringing in other funding mechanisms.

The emerging Re-Investment Strategy will be co-developed with Key Stakeholders in the Regional Economic Partnership, ensuring that local and regional priorities, opportunities, and constraints across the City Region are fully reflected. Engagement will focus on identifying strategic outcomes, potential intervention areas, and an agreed framework for identifying and assessing future projects and beneficiaries.

Once developed, the Re-Investment Strategy, which will include expected benefits, outputs and outcomes will be presented to the Regional Economic Partnership for consideration prior to formal approval by GCR Cabinet.

7. Use of the retained rates

This Non-Domestic Rates Income Re-Investment Strategy will be developed collaboratively between the Accountable Body and the Regional Economic Partnership, which will set out:

- the objectives of the GCR NDRR programme,
- the types of investment that will be eligible,
- the process of identifying potential investments,
- the process of evaluating, prioritising and approving specific investments,
- the logistics for the flow of funds between the rating authorities, the Accountable Body and the recipients, and arrangements for monitoring, evaluating and reporting on the outcomes of investments

GCR PMO will work with partners to develop this re-investment strategy for any NDR retained rates to support GCR IZ objectives across the GCR geography and across the lifetime of the NDRR site. The Investment Zone Technical Guidance provides clarity on the activity the 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

8. Decision Making and Governance

Appropriate governance arrangements are in place to provide oversight and decision-making through established Glasgow City Region governance procedures. These arrangements will be supported by quarterly reporting on NDR uplift and expenditure and an annual review of the effectiveness of the Memorandum of Understanding.

A dedicated NDRR Steering Group is being established to oversee the operational and financial management of NDRR locations within the GCR IZ. Following initial engagement with the Scottish Government and senior finance representatives from the four Member Authorities, baseline reporting was submitted to the Scottish Government in June 2026 and the Terms of Reference for the Steering Group have now been agreed. Follow-up meetings between GCR and the Member Authorities have continued to support implementation of the arrangements, with the first formal meeting of the NDRR Steering Group will be scheduled for November 2026. The Group will provide an operational, finance-led forum for NDRR delivery and assurance and will not be responsible for the development or management of the NDR reinvestment strategy or for decisions on how retained NDR is reinvested.