Glasgow City Region Investment Zone
Non-Domestic Rates and Investment Zone Fund
Re-Investment Strategy
Fund Design Principles
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Context

In February 2026, a Memorandum of Understanding (MoU) was agreed between Ministry of Housing, Communities and Local Government, the Scottish Government and Glasgow City Council as the Accountable Body on behalf of the eight Glasgow City Region (GCR) local authorities.

The MoU sets out the general principles and arrangements for how Non-Domestic Rates (NDR) should be retained and reinvested, with a longer *NDRR Income Re-Investment Strategy* expected to set these out in more detail.

In the past six months, as this strategy was being drafted, the potential of Regional Empowerment for GCR has become more likely. The final form this will take is unknown but there is likely to be a role for GCR in making investments in strategic areas, building on the City Deal platform, and it is likely that this will represent a step-up in terms of ambition and capacity.

The Investment Zone comprises £34 million of flexible Investment Zone funding over the 10-year programme period and an estimated £160 million of retained Non-Domestic Rates (NDRR) income over 25 years. While the Investment Zone programme itself operates over 10 years, the Region will continue to benefit from the uplift in retained rates for a further 15 years. A programme management budget of £640,000 per annum is also available, with GCR responsible for administering these funding arrangements.

The *NDRR Income Re-Investment Strategy* should specify (a) Where rates are expected to be retained and the likely **scale of the fund** (b) **the objectives of the fund** and its theory of change (c) **how the fund will operate** and make decisions**.** (a) is fairly well understood and commissioned analysis shows the likely income over time from the three sites. However, (b) and (c) are subject to more uncertainty and may look different depending on the extent of regional empowerment to GCR and its resulting mandate and operating framework.

This note sets out a series of key decisions for Cabinet around the **fund's design principles**. These will allow for the design of a fund that can be set up in the near term, but with a roadmap to how it will operate under ambitious regional empowerment.

Design Fund Principles

A. Programme design

A1. Scale of programme

The Investment Zone has £34m of flexible funding that is unallocated to any project, but which has the same mandate and objectives as the NDRR income. Together, these funds equate to around £200m over 10 years, with a budget of £640k p.a. for programme management. There is a case for the two funds to be managed jointly. Under regional empowerment (RE), there may also be a case for managing other funds using the same platform, such as LIPF and other advanced manufacturing-focused funds.

Guidance needed

1. For now, should the NDRR and IZ fund be managed jointly, with the same objectives and governance?
2. Under RE, where should an advanced manufacturing focused fund sit within GCR? Should it be part of a wider investment platform / 'good growth fund' or managed separately?

A2. Design of fund / products

City deal and other funds managed by GCR are typically grant funds. Under RE, there may be an ambition to create funds that go further by recycling capital. This could involve recoverable grants, concessional and standard debt, and equity. Administering these products would require a bigger team with investment experience which may be envisaged under RE. Seeking to recycle funds may influence programme selection towards interventions with more realistic revenue streams, and potentially away from impact-focused or speculative investments with longer-term value creation. In practice, an investment committee should consider a mix.

Guidance needed

1. Is there any desire for this fund to have a recycling element?

B. Eligibility

B1. Intervention type

Investment Zone funding can be used for, broadly:

- Infrastructure, including development and planning;
- Corporate revenue funding for R&D, PhDs, skills programmes and apprenticeships
- Corporate funding for capital equipment;
- Externally provided skills programmes; business support programmes; and similar interventions.

Guidance needed:

- Is there a preferred mix of these interventions?
- Is there a desire to create a tiered portfolio (i.e. all funding has to go to 1 and then 2)

B2. Local authority area

Rates are collected across the 3 sites in 4 LAs but spent across all 8.

Guidance needed:

- Is there a required or desired split across the eight local authorities?
- Should there be any relationship between the sites that raised rates, and reinvestment in those sites?

B3. Sector / business type

The current IZ is focused on *Advanced Manufacturing and Precision Engineering*. However, there is no clear definition of this as a sector and what would count as out of scope. Some definitions include manufacturing only, others include services that support manufacturers, from technical services (pressure testing, geotechnical surveys) to enabling services (engineering and accounting). Software is often excluded, but recent development means this might be in scope.
Life sciences is usually not included within AMPE in UK industrial strategy, but there are practical overlaps and it might make sense to life sciences projects as eligible.

Guidance:

- Is there a clear preference for strict definitions?
- Should life sciences be included as in-scope?

B4. Size of intervention

In order to filter proposals and ensure a broad spread of benefits, it will be necessary to set some guidelines for applications, for example:

- Minimum funding thresholds, e.g. £500k–£1m minimum
- Maximum funding thresholds; e.g. £10m
- Concentration limits, e.g. £20m maximum investment in one entity / project

Guidance needed:

- Should minimums and maximums be used to filter proposals, with concentration or cap limits for individual interventions or companies to ensure a broad spread of benefits?

C. Process

C1. Application

Options include

- A permanently open competition;
- Open competition with annual or six-monthly calls;
- Strategic commissioning with open expressions of interest

Guidance needed:

- Is there a preferred approach?

C2. Approval process

Approval of funds could require a full business case; as per City Deal, or a simplified business case process. Due diligence could be standardised or sized to the size of the investment. After RE, a senior investment board may have been established that can guide all investments

Guidance needed:

- Which approach is preferred, and is anything required by statute?

C3. Governance

Options include:

- City Deal governance;
- A new separate arrangement like LIPF;
- A new arrangement as part of GGF/devolution

Guidance needed:

- Which approach is preferred in the short and medium term?

C4. Wider support for the sector

Under a RE scenario, rather than just distributing grants, there is an opportunity for the IZ team to play a more active role in supporting the AMPE sector in Glasgow. Activities might include coordinating:

- With the existing Innovation ecosystem on development and promotion of local opportunities (GRID, GCID, CG, AMIDS)
- With other public sector AMPE-aligned funds eg LIPF, SE grants.
- With sector-aligned PuFin and private sector finance
- With specialist VCs, developers and operators

Guidance needed:

- Which approach is preferred in the short and medium term?

C5. Borrowing

Many local authorities borrow capital upfront which is repaid by NDRR income. Options include borrowing a total amount upfront, borrowing strategically to achieve the desired spending profile; or borrow as needed. PWLB, NWF and commercial banks are options of lenders.

Guidance needed

1. Is there a desire to borrow against future rates / IZ income?
2. Would there be one or many public sector borrowers?

C6. Selection

Selection criteria for applications are likely to include the following points.

- Strategic fit
- Additionality
- Leverage
- Deliverability
- Impact (jobs, emissions)

Guidance needed:

- Is there any preference on how these should be weighted?