

**To: Economy and Regeneration Policy Board**

**On: 21 January 2025**

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**Report by: Chief Executive**

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**Heading: Glasgow City Region Investment Zone – Update**

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## **1. Summary**

- 1.1 The purpose of this report is to inform the Economy and Regeneration Board on the progress of the Glasgow City Region Investment Zone (GCR IZ) and Renfrewshire's participation in it.
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## **2. Recommendations**

- 2.1 It is recommended that the Board:
- (i) Notes the timescales of the development of GCR Investment Zone proposal for submission to UK/Scottish Governments and confirm that updates and required approvals will be reported to Board at regular intervals as appropriate.
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## **3. Background**

- 3.1 In June 2023, following an agreement between the UK Government and Scottish Government, it was announced that both the Glasgow City Region (GCR) and the North-East of Scotland had been awarded Investment Zone (IZ) status, the first such zones in Scotland. This commitment has been backed by funding commitments, which can be used flexibly for capital and revenue investment and tax incentives for prospective investing companies.
- 3.2 It was confirmed in the Autumn Budget of 2024 that £160m has been allocated to the Glasgow City Region Investment Zone (GCR IZ). This funding will be distributed over 10 years and aims to attract private sector investment, boost innovation, drive economic growth, reduce inequalities, and create high-value jobs.

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#### 4. Progress to date

4.1 Guidance from the Government's states that the IZ programme must align with the UK Levelling Up Strategy and Scotland's National Economic Transformation Strategy. A new governance board will oversee the programme and report to the Glasgow City Region Cabinet.

4.2 The following are the agreed key objectives of the GCR IZ:

- 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 within the Region; and
- viii. Extends the benefit to the whole region including developing options for a IZ skills programme for local residents and a regional investment fund.

4.3 The following key phases of the IZ development have been progressed to date:

##### Investment Zone Projects

- **Phase 1: Expression of Interest (September–November 2023):** Objectives and parameters for the IZ were scoped, focusing on sectors like advanced manufacturing, life sciences, and digital technologies. This process was designed to elicit Expressions of Interest (EOI) from potential private/public sector and academic partners. Over 90 Expressions of Interest (EOIs) were received, targeting skills development, private investment, and land regeneration.
- **Phase 2: Open Call (Jan–June 2024):** Detailed project applications were sought from eligible applicants, with a focus on three primary sectors:
  - Life Sciences,
  - Advanced Manufacturing and Precision Engineering, and
  - Digital and Enabling Technologies and Services.

- 4.4 In total, 41 bids were submitted, with total project costs of £1.88bn of which the Investment Zone grant ask was £0.64bn and the match/private sector investment was £1.24bn.
- 4.5 Submissions were assessed and evaluated against several criteria:
- Quantitative scoring undertaken by the GCR PMO, with a minimum quality threshold in place;
  - Qualitative feedback from 'sectoral specialists' in both InnovateUK and Scottish Enterprise;
  - For bids that meet the minimum quality threshold, an analysis was undertaken by the GCR Intelligence Hub to consider the wider sectoral and economic impacts of bids within each sector;
  - Overall review by the Strategic Assessment Plan (SAP), comprising of a group of selected individuals with an investment background.
- 4.6 In addition, the SAP applied several basic principles when coming to their decisions:
- Projects should demonstrate additionality;
  - Investment will provide new capability;
  - Projects will leverage addition private sector investment;
  - Activity will demonstrably support wider cluster development;
  - Individual projects will align within an overall programme;
  - Individual project risk will be spread across the programme; and
  - Opportunity to 'over-programme'
- 4.7 Following the initial meeting of the SAP (20 May 2024) the UK Government called the General Election two days subsequently and the pre-election period commenced. It was confirmed to the GCR Project Management Office (PMO) that the GCR IZ process could proceed. While the GCR PMO progressed the development of the GCR IZ Gateway 1 and 2, the evaluation and selection process was paused.
- 4.8 Over the summer of 2024 the SAP sought clarification from a number of bidders on the detail of their submissions and in October / November 2024 presentation sessions were held with some bidders to understand had there been any substantive changes to their bids, since submission in March 2024.
- **Phase 3: Outcome of the GCR IZ Assessment Process (August - December 2024):** The GCR IZ has identified its focus area as Advanced Manufacturing & Precision Engineering and its geography as the Glasgow City Region. A Gateway 2 submission is awaiting formal approval from UK and Scottish governments.
- 4.9 The SAP has evaluated project attributes and their contributions to sector growth, resulting in a short-list of preferred bidders for the next due diligence stage, pending GCR Cabinet approval.

- 4.10 The IZ programme will target strategic investments in critical technologies, leveraging existing regional strengths in the semiconductors, space, life sciences, and maritime business sectors to develop a world-class innovation ecosystem.

#### Investment Zone Tax site

- 4.11 It has been confirmed that there is only one proposed tax site proposed within the GCR Investment Zone, which will be located in Renfrewshire (further details below).
- 4.12 The tax site aims to drive growth by leveraging existing economic assets like AMIDS, NMIS, MMIC, and Glasgow Airport to encourage other companies to locate in Renfrewshire. Focused on strategic land development, it addresses commercial challenges, including competition with the two identified Scottish Green Freeports, through collaboration.
- 4.13 Tax incentives will be finalised during due diligence and further discussions with UK and Scottish Governments with input from key partners. The site will be developed in partnership between Renfrewshire Council and Glasgow Airport as landowners, accounting for the existing AMIDS JV structure approved by Board.
- 4.14 In addition, the GCR IZ will include an investment fund which aims to drive growth in the Advanced Manufacturing sector by supporting key inward investment opportunities that complement the existing business base. This includes providing dedicated ringfenced funding for business support and skills development. Initiatives include:
- Tailored business support: assisting supply chain companies in innovating, scaling, and commercialising technologies.
  - Skills development: training and upskilling workers to meet the demands of high-growth sectors like semiconductors, space, and maritime.

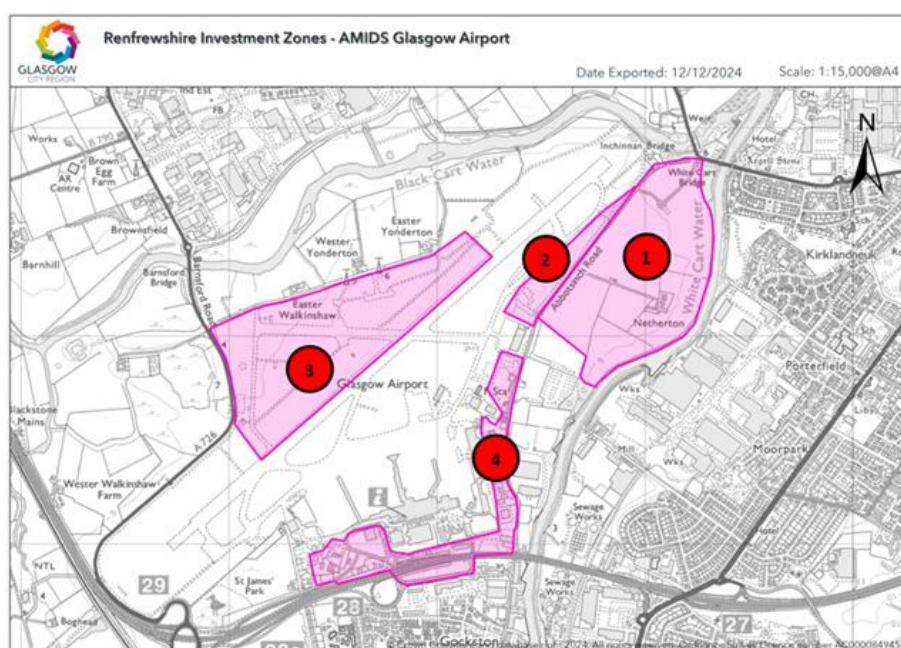
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## **5 Renfrewshire Council's IZ bid**

- 5.1 Renfrewshire Council submitted an expression of interest (EOI) and a detailed application to receive a proportion of the GCR Investment Zone (GCR IZ) funding. The Council's bid focused on establishing AMIDS (Advanced Manufacturing Innovation District Scotland) as Scotland's premier destination for advanced manufacturing innovation. The proposal aims to leverage existing infrastructure, including world-class centres like the National Manufacturing Institute Scotland (NMIS) and the CPI Medicines Manufacturing Innovation Centre (CPI/MMIC), while scaling up operations to attract further investment and drive economic growth. The overall objective is to transform AMIDS into a hub for manufacturing excellence.
- 5.2 The IZ application bid was divided into two components:

- **Tax Site:** The creation of a tax incentive zone encompassing the Nethererton Campus site at AMIDS, along with Westway and Glasgow Airport.
  - **Capital Investment:** A request for £4 million to construct a 32,000 sqft. facility (“Tech Terrace”) designed for advanced manufacturing SMEs, with the potential for an additional £12 million earmarked to facilitate further remedial works, thereby unlocking further investment opportunities and to further enhance AMIDS’ appeal.
- 5.3 The Council’s bid is aligned with principles such as Fair Work First and adherence to devolved regulations on employment and climate change. The investment within the IZ aims to deliver broader social and employment benefits.
- 5.4 Following the Council’s bid submission in March 2024, additional clarification was provided by the GCR. They confirmed their intention to propose Renfrewshire as the location for the only tax site (Figure 1). Initially the site was to include land at Nethererton Campus–AMIDS, Glasgow Airport, and Westway (a total area of 194 hectares) which could be eligible for up to £30 million in tax incentives over 10 years.
- 5.5 However, after the GCR has submitted this proposal as part of a gateway review, expressing a preference for the IZ to include this tax site, confirmation of its acceptance by the Government is still pending. The Government raised concerns about the eligibility of some areas proposed within the site. In particular, the Government felt that sites such as Westway do not meet its underdeveloped criteria, which includes having empty land, brownfield land, or underutilised land with some occupied or vacant premises. As such Westway has now been removed from the tax site by the GCR and have re-submitted its Gateway 2 review. A map of the proposed site is shown below (see Figure 1):

Figure 1: Proposed tax site map



- 5.6 Figure 1 shows the ownership status of each of the land parcels. The Renfrewshire Investment Zones contain two majority landowners:
- Renfrewshire Council: owners of the Netherton Campus site (1) which includes NMIS and the MMIC.
  - AviAlliance: owners of Glasgow Airport and associated land (areas 2, 3 and 4).
- 5.7 If the tax site is approved by UK Government, businesses within the tax site will be eligible for tax relief. The tax site will offer specific fiscal incentives designed to encourage business growth and attract private sector investment. These incentives typically aim to:
- Stimulate economic activity.
  - Support innovation.
  - Create employment opportunities.
- 5.8 Potential tax relief incentives in such sites include:
- **Non-Domestic Rates:** 100% relief from non-domestic rates for up to 5 years on newly occupied business premises, and certain existing businesses where they expand in Investment Zone tax sites.
  - **Enhanced Capital Allowance:** 100% first year allowance for companies' qualifying expenditure on plant and machinery assets for use in tax sites.
  - **Enhanced Structures and Buildings Allowance:** accelerated relief to allow businesses to reduce their taxable profits by 10% of the cost of qualifying non-residential investment per year, relieving 100% of their cost of structures and buildings over 10 years.
  - **Employer National Insurance Contributions relief:** zero-rate Employer NICs on salaries of any new employee working in the tax site for at least 60% of their time, on earnings up to £25,000 per year, with Employer NICs being charged at the usual rate above this level. This relief can be applied for 36 months per employee.
- 5.9 In addition to the incentives, there is an option for the tax site to include a Non-Domestic Rates Retention (NDRR) site. Within these sites, IZs will benefit from 100% retention of non-domestic rates growth above an agreed baseline for 25 years.
- 5.10 Government guidance specifies that only rates collected from new businesses moving into the tax site will be eligible for retention. The guidance further states:
- "It is intended that the local authority or local authorities in which the Investment Zone tax site(s) are located will retain the non-domestic rates growth for that area above an agreed baseline, taking into account a displacement effect."*
- 5.11 The GCR has expressed a preference for using the retained business rates to support projects that enhance the advanced manufacturing sector across the entire city region.

- 5.12 Further clarification is urgently needed from the UK and Scottish Governments to establish a collective view on how NDRR funds should be collected and redistributed. Officers will advocate for reinvesting any retained rates in Renfrewshire, with a particular focus on the growth, further development and enhancement of the AMIDS offer to attract and retain businesses. Furthermore, any reinvestment should be guided by a robust investment plan that outlines key investment principles. Officers will provide updates to the Board once further clarification on the operation of the NDRR is received.

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## **6 Next steps**

- 6.1 The GCR is hoping to receive confirmation from the governments that they can proceed with further Gateway reviews. If approved, the GCR plans to complete Gateways 3 and 4 together.
- 6.2 Gateway 3 focuses on providing information about the proposed governance structure, which the GCR is leading. Gateway 4 involves addressing questions specifically related to the tax site and the potential NDRR site. This includes modelling the potential economic benefits that will be unlocked through tax incentives and retention.
- 6.3 Approved bidders will undergo detailed due diligence, assessing interventions, outputs, outcomes, and budgets over the IZ's 10-year span. The GCR Intelligence Hub will perform economic analysis to ensure consistent impact measurement, supporting the Gateway 4 submission preparation.
- 6.4 Officers have started working on completing this return. Consultancy assistance will be required to provide expertise to Renfrewshire Council on tax-related matters. The GCR has confirmed that they will allocate the budget for these services. It is expected the procurement of this advisor will take place in January 2025.
- 6.5 Further discussions with representatives of both governments will be necessary to better understand the fiscal tax incentives, how companies can apply for them, and how NDRR retention works locally, as well as any stipulations from HM Treasury regarding governance and operations.
- 6.6 Officers have also commenced discussions with representatives from other local authorities that have gone through the Freeport / Green Freeport and Investment Zone process, who may be able to provide valuable insights and lessons on how the process works in practice.
- 6.7 Officers will continue to provide updates and submit requests for approvals to future boards.
- 6.8 Overall, it is hoped that the IZ will serve as a catalyst for growth, stimulating economic activity and reinvestment in Renfrewshire, with approximately £100 million of IZ funding being invested in the area.

## Implications of the Report

1. **Financial** – Significant as the Council will potentially have access to millions of pounds of IZ funding.
2. **HR & Organisational Development** - None
3. **Community Planning** –
  - *Our Renfrewshire is thriving / Reshaping our place, our economy and our future* –
  - The project supports significant investment in Renfrewshire, which will support job creation, business development and GVA and overall economic growth.
4. **Legal** - None
5. **Property/Assets** – None
6. **Information Technology** - None
7. **Equality & Human Rights** - The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.
8. **Health & Safety** - None
9. **Procurement** - None
10. **Risk** – Additional costs/constraints are found at the Netherton Campus site during additional construction phases
11. **Privacy Impact** – None
12. **Climate Risk** – None
13. **Children's Rights** - None
14. **Cosla Policy Position** - None

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## List of Background Papers

None

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