

Appendix 1



Public report Cabinet Report

A separate report is submitted in the private part of the agenda in respect of this item, as it contains details of financial information required to be kept private in accordance with Schedule 12A of the Local Government Act 1972. The grounds for privacy are that it contains information relating to the financial and business affairs of any particular person (including the authority holding that information). The public interest in maintaining the exemption under Schedule 12A outweighs the public interest in disclosing the information.

Cabinet
Council

28th November 2017
5th December 2017

Name of Cabinet Member:

Cabinet Member for Jobs and Regeneration – Councillor O’Boyle

Director Approving Submission of the report:

Deputy Chief Executive (Place)

Ward(s) affected:

All

Title:

National Battery Manufacturing Development Facility - Faraday Challenge

Is this a key decision?

Yes, as it has the potential to affect all wards within the city and expenditure is in excess of £1m.

Executive Summary:

More and more car manufacturers are announcing their intention to move towards building electric cars, and the demand for batteries will increase sharply over the next ten to twenty years. Currently, expertise in battery development is concentrated in Asia, Germany and the United States, and the UK is lagging behind.

The UK Government announced the Faraday Challenge, part of the Industrial Strategy Fund, during the summer. It aims to fund battery research and development work to ensure that the demand for batteries leads to the creation of jobs here in the UK rather than overseas in battery manufacturing.

One of the strands of the Faraday Challenge aims to bridge the gap between battery research in universities and large-scale battery production by car manufacturers.

The National Battery Manufacturing Development Facility (NBMDF) aims to bridge this gap by providing an environment where universities, SMEs and car manufacturers can collaborate on battery development using state of the art equipment.

The University of Warwick (UoW), Coventry & Warwickshire Local Enterprise Partnership (CWLEP) and Coventry City Council (CCC) have come together to develop a proposition in response to the Faraday Challenge set out by Government. The bid was submitted earlier in the autumn. The partnership has now got through to the final stage of the bidding process and an announcement on the successful bid is expected imminently from Government. We are confident that Coventry & Warwickshire offers the best solution for Government's aspiration in this area.

It has been estimated that the value of the NBMDF's work could be worth as much as £1bn to the economy, and create 10,000 jobs in the West Midlands.

The Council has significant role in making this happen by bringing its expertise to the partnership. This includes financial management, Government liaison, and a strong knowledge and experience in securing, managing and delivering economic development over many years in both Coventry and the wider sub region. In addition, the Council has proven track record in being the accountable body for successful large scale external funding and investment.

Recommendations:

Should the bid be successful, Cabinet is asked to recommend that Council:

- 1) Authorise that the Council accept the Faraday Challenge funding and to act as accountable body on behalf of the Coventry and Warwickshire Local Enterprise Partnership
- 2) Delegate authority to the Deputy Chief Executive (Place) and the Director of Finance and Corporate Services to accept the terms and conditions of the grant, to enter into the necessary agreement to secure the grant and add to the Capital Programme as necessary
- 3) Delegate authority to the Deputy Chief Executive (Place), following consultation with the Cabinet Member for Jobs and Regeneration, to:
 - determine the final content of the relevant business cases required to submit the bid to the West Midlands Combined Authority
 - submit the relevant Strategic Outline Business Cases to the West Midlands Combined Authority in relation to the work packages within the National Battery Manufacturing Development Facility Programme
 - progress the business cases to the final stage in accordance with the Combined Authority's Assurance Framework
- 4) Should the bids to the West Midland Combined Authority be successful; that Coventry City Council enters into the necessary legal documentations to secure the funding required to deliver the National Battery Manufacturing Development Facility Programme

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List of Appendices included: None

Background papers: None

Other useful documents

Faraday Challenge: <https://youtu.be/TGFRbGij29E>

Has it been or will it be considered by Scrutiny? No

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body? No

Will this report go to Council?

Yes – 5 December 2017

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Report title:

1. Context (or background)

- 1.1 In July, the UK Government announced the opening of the Faraday Challenge, a fund designed to ensure that the UK benefits from the rapid developments needed in battery technology to support the electrification of the motor industry over the next twenty years.
- 1.2 One of the strands within the Faraday Challenge is called 'battery scale up'. This theme calls for the establishment of a National Battery Manufacturing Development Facility (NBMDF) which will enable UK businesses to seize the opportunities presented by the transition to a low carbon economy and ensure the UK is one of the best places in the world to undertake the design, development and manufacture of batteries for the electrification of vehicles.
- 1.3 Coventry and Warwickshire Local Enterprise Partnership (CWLEP), and WMG (Warwick University's specialist manufacturing division) who are the preferred partners have developed a proposal to establish the NBMDF and new building in Coventry and Warwickshire.
- 1.4 A local contribution will also be requested through the West Midlands Combined Authority Devo Deal 2, and the proposal has the full support of the West Midlands Mayor.
- 1.5 In its role as accountable body for CWLEP's economic development programmes, the Council's Economic Development Team has been closely involved in the development of the NBMDF proposal, and will enter into the grant agreement with Government in order to secure the funding for the project.
- 1.6 Economic modelling work completed as part of the bid submission process estimates the potential benefit of the NBMDF to the UK economy as approaching £1bn, as it safeguards the UK auto industry against the decline in internal combustion engine manufacturing. The overall European battery supply chain is estimated to grow to £50bn over the next twenty years, and up to 10,000 jobs could be created in the West Midlands as a result.

2. Options considered and recommended proposal

- 2.1 The preferred option is for a consortium consisting of Coventry City Council, CWLEP and WMG to work together to develop a proposal to establish the NBMDF in the area. This option has been selected because it makes the most of the strengths of the three organisations involved in the consortium whilst giving the Council a significant amount of control over the way in which the facility is established, the ability to ensure that all public funding requirements are met, and that the economic development benefits are realised.
- 2.2 An alternative approach would have been for WMG to apply directly to the Faraday Challenge and establish the NBMDF itself without the direct involvement of CCC or CWLEP. Although this option would be attractive in that the benefits of the NBMDF could be secured without presenting any additional costs or risks to the Council, there is a danger that without the direct involvement of CCC and CWLEP, WMG may have found it necessary to locate the facility on a site out of the Coventry area, and the considerable economic development benefits of securing this facility would be lost.
- 2.3 Finally, it may have been possible for the partnership to bid for Faraday Challenge grant, before going out to the market in order to procure an operator for the facility. This option is

not practical because the facility is designed to be a public intervention to ensure that developments in battery technology happen in the UK which private companies would either do overseas or not do at all. Therefore, looking for an existing private operator of the facility on the open market was not a viable option for the partnership. There are also very tight timescales attached to Faraday Challenge funding; the facility must be open within two years of the initial grant award, and it would not be possible to complete such a procurement exercise and still have the facility open during this period.

3. Results of consultation undertaken

- 3.1 In preparation of the bid to the Faraday Challenge, CCC, CWLEP and WMG have consulted widely with the UK auto industry on the need for the NBMDf, and the right way to approach the advances in battery technology that the Faraday Challenge calls for. Over 40 letters of support have been received for the proposal, and representatives from Jaguar Land Rover, Nissan, and battery specialists AGM all joined the presentation team when the project was called to a Government assessment panel in October 2017.
- 3.2 A local stakeholder's event was held at the Coventry and Warwickshire Growth Hub was held for representatives from District Councils, FE colleges, Universities and the Chamber of Commerce in September, and the response from the attendees was overwhelmingly positive.

4. Timetable for implementing this decision

- 4.1 The terms of the Faraday Challenge grant funding say that the facility must be operational within 24 months of the grant award, which was made in November. This requires the partners to take immediate action in order to get the joint venture private Limited Company set up, begin work on planning consents and construction contracts etc. This should allow the building work and fit out to be completed in time to meet the Faraday Challenge deadline for having the facility up and running in late 2019.

5. Comments from Director of Finance and Corporate Services

5.1 Financial implications

- 5.1.1 The recommendations seek authority to accept grant funding for the purpose of constructing, fitting out the facility and managing the project for the first five years for which the Council will act as accountable body.
- 5.1.2 The exact capital costs are yet to be finalised, but the capital elements of the scheme will need to be added to the Council's capital programme once details are finalised.

5.2 Legal implications

- 5.2.1 There are no legal implications of accepting the Faraday Challenge Grant, other than to fulfil the terms of and conditions of the grant award as set out by Government. The Council's Economic Development Service will be responsible for ensuring that the grant is managed correctly, and Legal Services will provide the necessary support.

6. Other implications

6.1 How will this contribute to the Council Plan (www.coventry.gov.uk/councilplan/)?

- 6.1.1 The establishment of the NBMDf will make a significant contribution to the Council Plan. Coventry is already a focal point for the UK auto industry, and securing the NBMDf will

make the area hugely attractive to investors from the industry. The manufacture in Internal Combustion Engines is expected to decline steadily over the next twenty years as more and more car manufacturers plan to move towards electric fleets. It is expected that the market for battery technology in the EU will be worth as much as EUR50Bn during this period, and with the NBMDf operating in Coventry this will provide an excellent incentive for inward investment and job creation, in line with the aims of the Council Plan.

6.2 How is risk being managed?

- 6.2.1 Detailed work on risk management has been completed by the joint CCC-CWLEP-WMG project team, and considerable resources have been devoted to assessing these risks and planning mitigation actions. A risk register compliant with current City Council processes will be completed and made available should the bid be successful.

6.3 What is the impact on the organisation?

- 6.3.1 This project is likely to generate additional work for the Council, and it is anticipated that a new dedicated Project Manager post will be created in order to ensure that the building and equipment procurement happens smoothly over the two-year setup period for the facility. Establishing the NBMDf will also require officer time from existing staff in Finance, Legal and Procurement teams. The costs for both the new posts and existing officer time will be recovered from the Faraday Challenge grant income.

6.4 Equalities / EIA

- 6.4.1 This project is not expected to have any negative equalities impacts. When the joint venture company is established, CCC and CWLEP will place requirements upon the new company to ensure that appropriate equalities impact assessment work takes place as it begins to run its services.

6.5 Implications for (or impact on) the environment

- 6.5.1 This project has the potential to have a positive environmental impact. As the UK auto industry moves to electrification there will be a huge reduction in emissions from road vehicles on the country's road. The work of the NBMDf aims to speed up this transition, and should therefore have a positive environmental impact.

6.6 Implications for partner organisations?

- 6.6.1 Establishing the NBMDf here will allow the University of Warwick and WMG to cement their position among the top universities in the world for advanced engineering and automotive R&D. In turn this will lead to further benefits for the city.

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